FINANCIALITIMES



Italy

Privatisations driven by Brussels



Pensions crisis

Pay-as-you-go pyramid schemes Martin Wolf, Page 16

Soft X-rays

Technology, Page 12

Sharper focus means safer application



Gang wars rage in Budapest

World Business Newspaper http://www.FT.com

TUESDAY JANUARY 28 1997

Four Japanese banks' ratings downgraded

Credit ratings of four medium-sized Japanese banks were downgraded from "stable" to "nega-tiva" by Moody's, the international credit rating agency, sending Japanese bank shares tumbling again. Although the downgrades were expected, the agency's doubts about the Japanese government's ability to prevent further bank closures shocked investors and financial authorities.

Page 18; Banks near danger zone, Page 5 Probe ordered into Hanbo collapse



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Mark Stranger St. P.

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South Korean president Kim Young-sam (left) ordered an investigation into the collapse of the Hanbo steel and construction group, with estimated debts of Won5,000hn (\$5.8hn) which opposition political parties described as the higgest financial scandal in Korean his-

tory". The collapse caused the Seoul bourse to fall by 2.9 per cent yesterday. It has also increased pressures on the Kim administration, already reeling from recent protests over a controversial new labour law and Korea's worst economic slump in more than 20 years. Page 18; How Hanbo treasure turned

Suez back in the black: Suez, French bolding company which has been undergoing substantial restructuring, announced a return to the black with profits of FFr800m (\$145m) in 1996 after completing a property sale with a gross value of FFr9hn, Page 20

Swissair threatens action over Sabena: Swissair threatened to write down its 49 per cent stake in Sabena unless the ailing Belgian carrier demonstrates it is meeting cost-cutting targets within six months. Page 19

Britain calls for troops cut: Britain called on China to cut the number of troops it wants to send as an advance party before the territory returns to Chinese sovereignty in July. Page 8

Merrill Lynch hits record: Merrill Lynch, last of the hig Wall Street firms to report its earnings, brought a hright season for brokerages and investment banks to a close hy reporting record earnings for 1996. Page 19

CNN faces row over Cuba: International television news organisation Cable News Network plans to take the US government to the .. federal courts if it is refused permission to establish a bureau in Havana. Page 4

GM plans \$2.5bn share buy-back: General Motors set the seal on its return to financial bealth with a plan to buy back \$2.5bn of its shares and raise its dividend by 25 per cent. Page 19

China to issue \$2bn bonds: China plans to issue some \$2bn in bonds on international markets this year, a slight rise on 1996. The issues will be aimed at financing infrastructure pro-

Grade to guit Channel 4: Michael Grade, chief executive of UK television's Channel 4, is to leave his post later this year to pursue other. husiness interests, his board announced.

Giordano shares hit: Shares in Hong Kong-based clothing retailer Giordano fell 25 per cent after a statement from the company fuelled concerns about its operations in China.

Japan expects rise in bankruptcies: Japan's finance ministry warned of a further rise in bankruptcies after a record number of people filed for bankruptcy in the 11 months to November. Page 8

Church leads Belgrade protest march: Thousands of people joined a procession led by the head of the Serbian Orthodox church through Belgrade, sending a message to President Slobodan Milosevic that the pro-democracy movement can still muster mass support.

Cricket: England had one of their best days of their New Zealand tour on the fourth day of the second Test at Auckland, scoring 521 to take a 131-run first innings lead. They then removed three New Zealanders for 56 runs, leaving the home side still 75 runs behind overall.

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EU-wide tax code urged

France and Germany seeking to eliminate

By Lionel Barber in Brussels

France and Germany yesterday called for a code of conduct to atop unfair tax competition in the European

Calls for a crackdown on "tax poaching" are increasing as EU governments seek to boost revenues in the race to meet the deficit targets for economic and monetary union. due to start on January 1 1999:

But suggestions that the new code of conduct foreshadows fiscal harmonisation among countries taking part in the single currency zone were played down at a meeting of EU finance ministers.

Mr Theo Walgel, German finance minister, and Mr Jean Arthuis, his French counterpart, insisted - along with the UK - that decisions on tax remained subject to unanimity. In theory, members of a

move towards greater fiscal harmonisation outside the EU treaties, bypassing the national veto. Mr Arthuis said Bonn and

Paris wanted to stop "savage competition" in the area of tax. But he added: "There is no question of renouncing the principle of unanimity in liscal matters or transferring sovereignty [to Brussels]." Ministers hegan their public

debate with a chorus of German-led complaints about tax distortions. Mr Waigel, who has just forecast that Germany will harely meet the Maastricht deficit target of 3 per cent in 1997, said it was time to stop unfair competition.

Mr Philippe Maystadt, Bel-

unfair competition as countries head for Emu monetary union could still gian finance minister, attacked corporate tax regimes which encouraged companies to play countries off against each

other - a practice known as "fiscal dumping". He also complained that countries are poaching savings from other member states through differential tax rates. The argument is that governments are making up the shortfall with taxes on labour and thereby driving up unemployment.

Mr Maystadt railed against a Belgian bank - named by his officials as Société Nationale de Credit à l'Industrie - which he said had encouraged Belgians to siphon savings to the Netherlands through newspaper advertisements.

Ireland offers special tax incentives for large-scale investment, but Luxembourg is most often singled out for criticism because it offers nonresidents exemption from

withholding tax on savings. Mr Jean-Claude Juncker. prime minister of the Grand Duchy, said be was ready to negotiate an end to the withholding tax exemption, but only in the context of a broad agreement on tax and social

Mr Mario Monti, EU single market commissioner, has been pressing for steps toward an EU-wide tax regime. Although his ideas have made little headway, officials believe Emu will force countries toward fiscal co-ordination.

tary union will highlight tax distortions among single currency participants; others argue that Emu countries will continue to need flexibility in tax policy having renounced control over monetary policy and abandoned national

exchange rates. The strength of feeling yesterday on tax surprised the Dutch presidency of the EU which had planned to focus debate on completing texts on hudgetary and currency discipline in the single currency

This hlueprint on the transition to Emu was agreed at last month's EU summit in Duhlin after marathon talks between France and Germany. Ministers from each country warned each other yesterday to respect the spirit of the agreement.

Spain's Emn burdle, Page 3

PepsiCo joins list of groups quitting Burma

By Ted Bardacke in Bangkok

PepsiCo, one of the last US companies with a significant presence in Burma, said it was withdrawing completely from the Burmese market.

The US group joins a growing list of companies which have pulled out of the southeast Asian nation which has heen widely condemned for

human rights abuses. Pepsi said it was withdrawing because it wanted to adhere to the "spirit of current US government foreign policy", but it has also come under intense pressure from human rights groups and student organisations.

The company sold off its 40 per cent equity stake in its Burmese bottler in May 1995, but maintained a contract with the bottler to produce and market Pepsi there.

Since then US foreign policy towards Burma has become more strident and US president Bill Clinton has been empowered by Congress to impose economic sanctions at any time.

Last year's partial withdrawal by Pepsi did little to halt the hoycott campaign spearheaded by student groups in the US against a company which has positioned itself as a youthful alternative to rival Coca Cola, which is

not present in Burma.
Ironically, that boycott campaign forced off university campuses some franchises of the fast food restaurants -Pizza Hut, Kentucky Fried Chicken and Taco Bell which Pepsi recently announced it would spin off to

Papsi said it had severed supply contracts with its local bottler, who would ensure that all production and distribution of Pepsl products in Burma would he halted hy May 31.

Since Pepsi sold its equity stake in Burma last year, the internal political situation there has deteriorated. Mass meetings of the opposi-

tion National League for

Continued on Page 18



By Greg Melver in Stockholm and Halg Simonian in London

yesterday announced the resignation of Mr Soren Gyll as chief executive and his replacement by Mr Leif Johansson, chief executive of Electrolux, the world's leading aupplier of household appliances and part of Sweden's Wallenburg empire.

Volvo, Sweden's biggest automotive company, has traditionally been the main industrial counterweight to Wallenburg and Mr Jobansson emphasised that he intended to preserve a close relationship with the Wallenberg sphere. Yesterday's slight rise in

Volvo's share price was a telling comment from the market on the company's position in the motor industry and was a recognition of the fact that, for many, Volvo remains the most vulnerable of Europe's car companies after the collapse of its merger with

sharehoider pressure. A relatively narrow model range and limited production of about 350,000 units last year have also made it a potential

Sören Gyll, left, shakes hands with Leif Johansson, named yesterday as his successor as Volvo's chief executive candidate for a merger or a indication of his plans for switches will take place in

Mr Gyll, aged 56, will remain on Volvo'a board and advise the company for the rest of the year. Mr Gyll said Volvo faced should at least have a view "a number of important strate- on," he said. gic and structural decisions Renault in 1993 following

consider new options, such as

Volvo, but hinted he might April. huilding a smaller car. "That is the kind of segment Volvo

that will have consequences be succeeded at Electrolux by extending far into the future". Mr Michael Treschow, cur-These demanded continuity rently chief executive at Atlas and made it logical that a Copco, the Swedish engineerfresh pair of hands took over. ing group and another Wallen-Mr Johansson gave little herg controlled company. The

Mr Johansson, aged 45, is to

divisions. The Volvo hoard

Mr Gyll, who bad a year of his contract to run, insisted he had been under no pressure to quit - in spite of a disappointing performance last year in

Continued on Page 18 Lex, Page 18, Leader, Page 17, Small player exposes its vulnerability, Page 24



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Rolls-Royce could face compensation demands

By Michael Skapinker, Aerospace Correspondent

Rolls-Royce could face compensation demands from in-flight engine airlines after admitting that it will have to modify engines that have suffered turbine blade failures, causing some in-flight engine shut-downs.

The UK engineering group said the problems had occurred in a version of its RB211 engine that has been in 747s and 767s, the most widelyused long-haul aircraft.

Rolls-Royce said that none of the engine shut-downs bad Kong-based carrier, and South posed any danger to passengers. The company said it was not unusual for airlines to experience problems of this sort with engines from all manufacturers.

Rolls-Royce refused to comengine problems have already culties in the past with the cost airlines \$200m in addi- General Electric engines it tional maintenance and operat-uses on its Boeing 777s. ing expenses. In addition to BA refused to say whether it

Turbine blade failures cause shut-downs

engine's fuel consumption has

been higher than expected. was one of the airlines affected hy the engine problems, although it said it had not had service since 1989 on Boeing to shut down any of its RE211s during flights. Other airlines

African Airways. BA said it used RB211 engines on all 30 of its Boeing 747-400s and on its 26 Boeing 767s. The airline said the wear and tear on the engines was higher than it had expected. ment on a report, to be pub- But it said: "All equipment lished today in Flight Interna- from time to time has its probtlonal magazine, that the lems." BA has also had diffi-

tion from Rolls-Royce. "At the moment our efforts are aimed at restoring reliability. The engines are covered by perfor-mance guarantees," the airline said. Cathay Pacific and South African Airways were not available for comment.

Rolls-Royce said it was discussing two options with air-British Airways confirmed it lines using the engine. One was to replace the blades with updated versions. The other is to replace the engine core with parts from Trent engines, Rolls-Royce's most recent affected are believed to include products. This would create a Cathay Pacific, the Hong hybrid engine which Rolls-Royce believes would be more reliable.

The Trent is used on the Airbus A330 and the Boeing 777. both twin-engined aircraft. Rolls-Royce also intends to use the Trent on any future 550seat aircraft. These plans suffered a setback last week when Boeing said it was shelving plans to build an extended "super jumbo" version of its 747 because of a lack of

Rolls-Rovce's orders, Page 6

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LONDON - LEEDS - PARIS - FRANKFERT - STOCKHOLM - MAIRED - NEW YORK - LOS AMBELES - TOKYO - BONG KONG

More than 500,000 flock to presidential poll in celebration of victory over Kremlin

Chechens cast vote for independence Swiss envoy

By Chrystia Freeland in Dzhokhar-Ghala

As they flocked to the polling stations set up across their battered republic, more than half-a-million Chechens yesterday did much more than elect a president and parliament

The ballot, conducted with all the seriousness and gaiety of a wedding, was Chechnya's declaration of independence from Russla and a laughing celehration of its recent victory over the Kremlin's armies. Voting wes so beavy that officials kept the polls open an extra two hours, closing them only at 10pm last night.

withdrawal of its soldiers last year, Russian President Boris Yeltsin's rudderless government insists Chechnya remains part of the Russian federation. Yesterday's presidential poll could shatter that frail pretence, with dangerous consequences for Mr Yeltsin's shaky adminis-

All the leading presidential candidates advocate independence. By this evening, one of them could already be declared the democratically elected president of the hreakaway region. If no candidate wins more than 50 per cent of the total vote,

Berisha

tries to

assert

control

By Kevin Done and

Kerin Hope in Tirana

Armed soldiers stood guard

face each other in a run-off within two weeks

Today, I went to the polling station with joy, because I was voting for independence for my Chechyna, said Mrs Taisa Karsamauli, a 45-year-old judge. "Of course, Russia will not let us go just like thet," Mrs Karsamauli added, with a snap of her leather-gloved fingers. "But the truth is that we have left Russia already."

Mrs Karsamauli said she voted for Mr Aslan Maskhadov, the moderate commander of the Chechen military forces who was the front-runner ahead of yesterday's poll.

Yet, like most Chechens, Despite the bumiliating she said she placed almost equal confidence in all five top presidential contenders. There is no difference to

me - I could vote for [Shamil] Basayev [the warrior who seized a bospital in soutbern Russial. [Zelimkhan] Yandarhiyev [the incumbent president] or Maskhadov," said Mr Adam Ismailov, a bearded 30-yearold fighter.

What appeared to matter much more to the entire Cbechen population was that the vote was free, fair and procedurally correct. "We are using the voting procedures which the Organisation for Security and

Former Chechen guerrilla chief Asian Maskhadov, left, votes outside Dzhokhar-Ghala, formerly Grozny, yesterday. Maskhadov is seen as front-runner by most observers

developed in Bosnia." said Mr Vakha Gaisumov, chairman of the Electoral Comthe entire world in what direction our republic is headed by conducting our elections in the most demo-

cratic way.

Mr Gaisumov's Polling Station No.41, housed in a partly blown-up building which was once a dry-goods store in central Dzhokhar-Ghala, formerly Grozny, was where refugees from three completely levelled villages

in western Chechnya came to vote. Mr Galsumov, bimself a refugee, put together the voters' list by word of mouth, consulting with relatives and neighbours from his

bome village also living in the capital. People not on the list could vote by presenting documentary proof that they bad been residents of one of the three villages.

All day long, two buses brought refugee voters to after they had cast their bal-

Ingushetia.

outskirts of Dzhokhar-Ghala. Former inhabitants of the three villages could also vote at polling stations in two other Chechen towns or in a border town in neighbouring

As a long queue formed on the lcy street outside the windowless, unheated building. Mr Gaisumov rushed around ensuring voters were properly registered, checking their right hands been sprayed with indelible ink the polling station from the lots, and even lending his

net incomes of those on

higher pensions and those

who bad company and pri-

vate pensions as well as

mission report said, "made

more difficult a needed

expansion of company and

private pension schemes".

The Waigel plans, the com-

state pensions.

voters. Chechens took special pains to guarantee the safety of international observers. determined to avoid a discrediting repetition of the murder in December of six Red Cross aid workers.

spectacles to short-sighted

Working in pairs, OSCE monitors were supplied with four armed bodyguards and a two-car convoy for each team. "They tell us we are guarded better than the pres ident." one observer said. "and our hotel is like a for-

At Polling Station No.41, there was one Chechen election official with particular reason to revel in yesterday's festival of democracy: Mr Mukharbi Dudayev, the older brother of Dzhokhar Dudayev, the Chechen indepandence leader who was killed in mysterious circumstances last year.

"Dzhokhar would be happy with his legacy, this is what he struggled for," said Mr Dudayev, standing beneath a portrait of the brother to wbom be bears an

"If he were here today, he would say: 'The day for which we have been waiting for three centuries has finally come. We've been moving towards this over the past few years, but now

But he was the sole cabi-

net member to vote against

the tax proposals last week when they were discussed by

the leadership of Mr Kohl's

Christian Democratic Union.

Eyewitnesses spoke of a

furious, red-faced Mr Bium

EUROPEAN NEWS DIGEST

forced to quit

The controversy over Switzerland's wartime dealings with Nazi Germany has claimed its first political casualty. Mr Carlo Jagmetti, Swiss ambassador to the US, resigned yesterday following newspaper reports that he had advised the government to "wage war" against its overseas critics.

His comments, which have incensed Jewish organisations, were contained in a confidential nemorandum. They have embarrassed the Swiss government just as it seemed set to turn the tide of international opinion with the establishment of a large fund to compensate victims and survivors of the

Although Mr Jagmetti was due to retire in July, his sudden resignation has underlined the growing turmoil within Switzerland's diplomatic ranks. His departure will increase the pressure to find a more sympathetic figure to front Switzerland's campaign to win round US public

Yeltsin calls off Dutch trip

President Boris Yeltsin has scrapped plans to visit the Netherlands next week on his doctors' recommendation: He is still recovering from the effects of pneumonia and a heart by pass operation, which have kept him out of the public eye since January 6.

The Russian media had built up Mr Yeltsin's trip as a critical test of his fitness to run the country, and its cancellation is likely to intensify parliamentary calls for him to step down. Mr Yeltsin, who is 66 on Saturday, had. been due to meet Mr Wim Kok, the Dutch prime minister and current chairman of the European Union, on February 4 to discuss economic ties. A Russian official said the meeting would now be moved to Moscow at a later date.

Editorial comment, Page 17

Russian budget passed

Russia'e 1997 budget has passed its fourth and final reading in the lower house of parliament, clearing its biggest legislative hurdle after a nine-hour debate. Opposition MPs argued about whether to seek additional guarantees from the government to increase social spending but eventually passed the budget 245-90.

The budget, designed to entrench Russia's successful stabilisation programme, envisages revenues of Rbs484,400bn (\$78bn) and expenditures of Rbs529,000bn, leaving a budget deficit of 3.5 per cent (excluding interest payments on government borrowings). However, some economists have branded it unrealistic, suggesting both the income and spending targets are optimistic.

Mr Yegor Gaidar, former premier, sald the budget was unlikely to be implemented in full and argued for further reform of social spending and a cut in overall government

Hope rises in Italian dispute

Italy's engineering and metalworking workers appeared closer to a settlement of their pay dispute yesterday after Mr Romano Prodi, the prime minister, met labour and business leaders to try to break the deadlock. The talks at Mr Prodi's office were followed by an announcement by Federmeccanica, the employers' group, that it would meet unions during the day to resume talks.

The protracted dispute, which has involved three one-day strikes since it began six months ago, affects 1.7m. workers in a sector which accounts for 40 per cent of the country's industrial output. Any deal is likely to set the tone for other pay settlements and prove vital to Italy's hopes of keeping a lid on inflation.

Another Irish MP to depart

Ms Maire Geoghegan-Quinn, a former Irish government minister, yesterday became the latest member of parliament to say she would not contest this year's general election. She is one of 13 who intend to stand dissatisfaction with political life.

Ms Geoghegan-Quinn, 46, once a challenger for leadership of Fianna Fail, was the first woman to be appointed to the Irish cabinet when she became a minister in Mr Charles Haughey's government in 1981. She said she was leaving politics because of media intrusion into her private life. Her loss is a big blow to her party, which could now face defeat in the Galway East constituency.

Both the main parties, Flanna Fail and Fine Gael, report increasing difficulties recruiting "suitable" candidates for a general election which must be held John Murray Brown, Dublin

Start date for oil pipeline Construction of an oil pipeline from Azerbaijan to

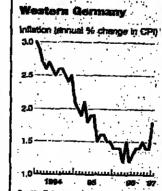
Georgia's Black Sea coast will begin in March, according to Mr Zurab Zhvania, the chairman of the Georgian

It is expected to carry its first oil from the Caspian Sea by the middle of 1998 and will be one of the first oil routes to the former Soviet region to bypass Russian territories. The pipeline, with a capacity of around 200,000 barrels a day, is part of the \$8bn offshore project overseen by Azerbaijan international Oil Company, a consortium of several oil majors led by British Petroleum.

Routing the pipeline through Georgia will have sbort-term benefits for its economy, but Mr Zhvania said during a visit to London that long-term political gains were even more important for his country. Georgia is keen to project itself as a safe and stable home for western investment in a region torn by multiple civil Arkady Ostrovsky, London

ECONOMIC WATCH

W German inflation leaps



western Germany has suddenly accelerated, according to preliminary. figures for January from four Lander (states). These show the cost of living index this month increased by LE per cent compared with e year ago. Prices rose by 1.4 per cent in the year to December. Analysts believe the chances of an early cut in interest rates have thus diminished further. The figure has also highlighted the effect of a severe winter on

The inflation rate in

seasonal food prices and energy prices are thought to have been particularly affected. However, part of the increase reflects the ending a year ago of the "coal pfennig" - in effect, a tax on alectricity consumption which lowered the index figure for January 1996. This month, the price index has risen by 0.4 per cent over

L148bn, against o L4,901bn surplus a year earlier.

Stoyanov in | German cabinet tensions

in London

around the central bank of Albania and the headquarters of the state television last night as President Sall Berisha's rightwing government took advantage of new powers to try to assert control of the country.

The ruling Democratic party has faced days of violent protests across the country by desperate investors, who have lost their savings in the collapse of a string of fraudulent pyramid | president, had expressed its finance schemes.

Seven truckloads of soldiers with automatic weapons parked near the Bank of | structural reforms". Albania beside the defence ministry and patrolling would give a mandate to tral Skanderbeg Square the ruling Bulgarian Socialunderlined the government's | ist Party (BSP) today, as nervousness following required by the constitution. attacks on government offices, police stations and court buildings in particular in towns in the south of the country.

Prison authorities said vesterday that two inmates were killed in disturbances and a failed attempt to break out of a prison in central Albania late on Sunday. in the north of the country a gathering of several thousand in Shkodra, one of the few big cities where the mayor is not from the ruling Democratic party, was reported to bave passed without violence.

Mr Tritan Shebu, deputy prime minister and chairman of the Democratic party, sought yesterday to shift the blame for the growing turmoil on to the opposition Socialist party.

The government has promised to begin to repay savers some of their deposits from the middle of next week from the funds of two failed schemes frozen in accounts of the state banks. Pyramid power, Page 16

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plea to break rise on tax and welfare deadlock

By Anthony Robinson

Petar Stoyanov, Bulgaria's newly installed president, last night called on the country's deadlocked politicians to make the compromises needed to form a caretaker government, stabilise Bulgaria's financial and economic crisis and prepare pean and pro-Nato line dur-

the Dutch foreign ministry, as acting European Union deep concern at recent events in Bulgaria and called for "rapid and effective

Mr Stoyanov sald he new government

BSP leadership to hand back the mandate by noon and forces and institutions.

(UDF) calls for elections, and

"But the EU statement mekes it necessary to address the political forces and seek a way out of a crisis which threatens to be lethal for the Bulgarian people." he said.

Mr Stoyanov pleaded with understanding" and end its ment, and called on MPs of ately doubled deposit rates a hreak for 10 days".

to function until adoption of

make a \$138m Brady bond

coupon payment today but

its reserves are down to

around \$500m and it needs to

find \$1.3m to service its

\$10bn foreign debt this

"Bulgaria needs very rapid

reforms because we have

large payments to make on

our foreign debt in July and

we cannot even think about

a moratorium," Mr Stoyanov

The Bulgarian lev has

been in virtual free fall for

the last month, dipping to a

new low of 950 to the dollar

on Monday from 70 a year

crisis which led to the clo-

sure of 14 banks and a run

On Friday, the Bulgarian

central bank gave up trying

to control interest rates and

replaced its former central

rate with the average

weighted monthly yield of

The savings bank immedi-

real interest rates remain

short-term treasury bills.

This was before a banking

said vesterday.

on reserves.

year.

the 1997 budget, a package of laws related to the introduction of a currency board, and a parliamentary resolution allowing a caretaker government to continue negotlations with the international financial institutions. The president, who advocated a strongly pro-Euro-

for elections in May. ing his presidential campaign as the UDF candi-His call came bours after date, is due to meet Mr Malcolm Rifkind, the British forelgn secretary, in Sofia tonight, before flying to Brussels for talks with EU and Nato officials. Bulgaria is expected to

But he appealed to the

leave him free to form "an efficient caretaker cabinet supported by all political "As of today, no party has stepped back. The opposition Union of Democratic Forces

the ruling Bulgarian Socialist Party (BSP) demands the mandate to form e government and introduce a currency hoard.

the UDF to "demonstrate two-week boycott of parliaall parties "to work without to 360 per cent annually. But

He asked them to work on negative as inflation bas tbree priority projects: risen to byper-inflationary amendments to the budget levels of more than 50 per | and faced with a mounting Mr Milosevic. law to allow a government cent in January.

By Peter Norman in Bonn

The tensions over tax and

welfare reform inside the German government escalated dramatically last night wben its special commission on securing the future of Germany's pay-as-you-go pension system sharply critcised tax reform plans publisbed last week by Mr Theo Waigel, finance minister.

In an extraordinary move, Mr Norbert Bium, the iabour and social affairs minister and chairman of the pension reform commission, authorised publication of a report which said Mr Waigel's pians would "make the adjustment of the old age pension system to future challenges more difficult".

displayed last week on learning of the tax commission's recommendations has not aubsided. The longest serving member of Chancellor Helmut Kohl's cabinet, Mr Blum has traditionally been

sbouting at the chancellor et Instead it called for tax last week's meeting and incentives to improve the hinting that he might resign. attractions of company and The labour minister later modified his stance and private pension provision. Mr Blüm's action was a talked of his determination to oppose the tax proposals clear sign that the anger he from inside the government. The pension reform commission's report said that Mr Waigel'a plans would have

tion of pensions would cut in Germany's generous wel

fare benefits.

commission's proposed taxa- has acquiesced in many cuts to administer.

only a modest fiscal effect while "spreading uncertainty among millions of The report said the tax loyal to the government and pensioners" and costing a lot

Belgrade protest march

By Guy Dinmore and Laura Silber in Belgrade

Tens of thousands of people yesterday joined a religious procession led by the head of the Serbian Ortbodox Church through the centre of Belgrade, sending a strong message to President Slobo- and pay the police and army. dan Milosevic that the prodemocracy movement can still muster mass support.

It was the biggest protest since up to half a million people celebrated Serbian New Year in an anti-Milosevic rally two weeks ago. sition victories but so far bas However, leaders of the refused to give up Belgrade Zajedno (Together) opposition coalition privately say they are worried about how of 10 weeks of non-stop pro- opposition wins in the capitests against the annulment tal of opposition wins in local elections on November 17. in an attempt to seal cracks in his ruling coalition

evic is said to have agreed to hoping Russia will keep the embark on a privatisation lid on western pressure on programme. According to the indepen-

dent VIP Daily News Report, the government will seli state property, such as hotels and restaurants, in an effort to ease his cash crisis This is not the first time Mr Milosevic has endorsed

privatisation, and a western diplomat cautloned: "We'll believe It when we see it." Mr Milosevic has recognised only a handful of opposition victories but so far bas and 14 towns. A municipal court in Belgrade yesterdey ruled in favour of the origito maintain the momentum nal decisioo which annulled

> Mr Igor Ivanov, the Russian deputy foreign minister, was in Belgrade yesterday to meet opposition leaders and

Belgrade to restore the election results.

Riot police lifted their cordon around the heart of Belgrade yesterday. At dawn Patriarch Pavle and dozens of priests led a solemn march of tens of thousands of people to mark the day of St Sava, founding father of the Serhlan Orthodox

The strongly nationalist orthodox church had tacitly backed Mr Milosevic during the 1992-95 Bosnian war, hut began to remove its support after the Serbian president abandoned attempts to carve out a Greater Serbia embrac ing parts of Croatia and Bosnia

The Serbian president so far has offered piecemeal concessions to the opposition. Zajedno yesterday took control of tha city council of Nis, ending more than 50 The Serbian president is years of communist rule.

economic crisis. Mr Milos-Juppé pledges Jewish assets probe

Paris to announce plans for identifying property seized during war

announce in the next few days details of a commission to identify and evaluate property and other assets confiscated from Jews during the second world war.

Mr Alain Juppé, the prime minis-

ter, chose a speech last Saturday

evening hosted by the French Jew-

ish community to announce the initiative, which he described as "a national duty more than just a moral action. He wanted an evaluation of what had been seized during the wartime German occupation, where the assets were now held - notably any still in the hands of public authori-

ties - and the legal position on their ownership. His comments at the annual dinner of CRIF, the representative council for Jewish institutions in France, follow discussions with officials from Vicby era.

The French government is to the organisation, which has long it also follows the setting up anniversary of the end of the war.

the principle of identifying how

much had been confiscated to form testimony to the acts of the past.

dent Jacques Chirac in July 1995

made an historic admission of the

errors committed by the state dur-

ing the second world war, opening a

new era in French reflection on the

The latest move comes after Presi-

called for such an inventory.

Mr Henri Hajdenberg, the lawyer

of commissions in Switzerland to identify the whereabouts of funds who chairs CRIF, stressed that the he Nazis confiscated from Jews durmost important issue at stake was ing the war or that were left not the recovery of the assets hut unclaimed in Swiss banks by Jewish

Report by public sector watchdog has suggested nearly 2,000 confiscated works of art remain in the country's museums

> governments' records during the second world war. CRIF said the decision by the French government to act now may in part be due to a change in the generation of political leaders, and the reflections triggered by the 50th

Sweden and Norway have also set

up commissions to examine their

The organisation said it was impossible to quantify the size of stolen Jewish assets. However, a report hy the Cour des Comptes public sector watchdog in 1995 sugg nearly 2,000 works of art still held in the country's museums bad been taken during the war. A book published last year argued

that a number of apartments owned by the city of Paris had been confiscated from Jews, forcing the city to postpooe its plans to sell off many

It said yesterday it was proceeding with the sale of more than 20 apartments today, hut had carefully examined its records to ensure none of them could have been confiscated from Jews during the second world WJF.

Andrew Jack

Germany'e economy:

■ Italy's balance of payments was L2,960bn (\$1,960) in deficit in December compared with a surplus of L5,800bn a year earlier. The December current account deficit was

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once thought war too serious a matter to entrust to military men; now they believe mone-

tary union is for Emu too serious a

matter entrust to economists. If economics were the only consideration in deciding which countries qualified for the first round of European monetary union, then Spain would probably make it and Italy would not.

While the markets have a tendency to lump Spain and Italy together - under the 'Club Med' banner - as regards Emu, there are strong arguments why this should not be the case," said

opean. Mr Colin Warren, interna. is justification for Spain's politicians tional economist with Tokai Bank in London.

Political reality, however, means both will, in all likelihood, be judged together, whatever the economic real-

"Is it possible that Spain is allowed entry while a Group of Seven country like Italy is pushed out? That is not conceivahle," said Mr Henrik Lumholdt, chief economist at Bank of America in Madrid. Italy has more political clout. The political interest says Spain cannot make it alone, but on purely economic grounds it could."

Most analysts agree that Spain's economic fundamentals are much closer to meeting the criteria of the Maastricht treaty for membership of Emu than are Italy's. "On pure economics there

for J.P. Morgan in Milan, "It is not simply about Spain's ability to meet the Maastricht targets, but about its sustainability."

The world's financial markets elso rate Spein's chances of joining Germany in Emu higher than Italy's. The real yield on Spanish long-term debt is currently only 90 basis points more than similar German bunds, whereas the figure for Italian yields is around 150.

Italy has had great succe reducing the level of interest on its government debt. This time last year Italian debt paid around 450 basis points more than bunds. But international investors still demand a higher risk premium than from Spain.

One reason is Italy's very membership," said Ms Baria high level of public debt, Fornari, Italian economist amounting to 123 per cent of gross domestic product. This is more than double the 60 per cent level laid down in the Maastricht treaty and a third of all European Union public sector debt. "The level of Italian debt is

scary," said Mr Lumboldt. In contrast, Spain's public debt amounts to only 66 per cent of GDP, in an economy only half the size of Italy's. "Clearly, the implicit threat to the stability of Emu from Spain is a lot less than Italy," Mr Lumboldt said.

Analysts believe that excluding Italy and its debt at the outset would make Germany's citizens more willing to sacrifice their cherished D-Mark for the euro - the planned single European currency. Italy is cent of GDP - could be ruled

likely to resist delay and in breach of the Maastricht unlikely to accept being criteria hy the European passed over in favour of Spain for the first round.

The two countries also have markedly different chances of meeting the annual budget deficit criterion for Emu. At 4.5 per cent of GDP last year and 3.5 per cent estimeted for this. Spain's budget deficit is expected to come close to the 3 per cent Maastricht target

ltaly, on the other hand, has much further to go to dent last year's budget deficit of 7.4 per cent of GDP. Most economists believe it will be lucky to cut spending to below 4 per cent this year.

Even then, bowever, ltaly's "Eurotax" - a one-off surcharge expected to boost budget revenues by 0.7 per

Commission. A large part of the Eurotax is to be

refunded to Italian taxpayers by 1999, "Italy's Eurotax is not a tax at all, it is a loan. said Mr Julian Jessop, chief European economist at Nikko Europe in London. A further complication for

Italy is the structure of its public debt. Most of lt is very short term or linked to interest rates. A higher proportion of Spain's debt is in fixed and longer term maturities. This, say economists. means Italy is more vulnerable than Spain to e sudden rise in interest payments.

An unexpected shock, such as a political crisis over ltaly's widely expected supplementary budget later this year, could push the repay-

sharply upwards and throw Under this scenario, the its budget projections into so-called "baffling" countries disarray. "The risk of relying an acronym for Belgium, on rate savings as a substi-Austria, France, Finland, tute for structural reforms is Luxembourg, Ireland, the high," Ms Fornari said. Netherlands and Germany – Most European investors would push ahead in Janustill expect Italy to qualify ary 1999. Italy and a genu-

for Emu at the same time as

Spain, with the proviso that low later, in 2000 or 2001. Germany is likely to push for a delay before the Medi-Richard Adams and Edward Luce

inely baffled Spain would fol-

Euro will mean huge upheaval for coin-handling machines

By Peter Marsh in London

Early next century, if all goes to plan, the 70 or so different coins circulating throughout the nations of the European Union will be replaced by just eight new euro coins of different denominations - e prospect to focus the mind of any manager involved with

automatic com handling. . European monetary union could herald a huge upheaval for the operators of the 7m or so mechanisms around Europe that rely on coins to make them work. The costs in altering existing mechanisms, spare parts and training could be Ecul5bn (\$17.8bn), the industry estimates.

drink and other consumer items such sbort time, would present the industry

as cigarettes. The rest include pay with an unprecedented challenge. phones and ticketing and gaming

Farthest ahead in their planning for the switch are manufacturers of vending systems, which generally handle a wider range of coms and dispense a greater variety of items than the other types of machine.

Companies in the vending industry are used to handling alterations in the shapes and sizes of coins in purely national currencies. For instance, UK operators are starting to adjust their machines for the new £2 and 50p pleces which will become legal tender later this year.

But a change to a large number Of the 7m machines, roughly half of leading European national are vending machines dispensing food, currencies, all squeezed into a

"It could be a logistical nightmare," says Mr David Orton, managing director of Coin Controls, a British com-

pany which is one of three businesses dominating the \$200m a year industry in Europe of selling coin recognition systems, the essential "brains" to e vending system The recognition systems normally

work by a combination of optical and inductive sensors controlled electronically. The other two leaders in this equipment in Europe are Mars Electronics International and National Rejectors, both US-owned.

Counting only the vending machines, Mr Moritz Böttinger, secretary-general of the Enropean Vending Association, a trade body for the industry, thinks it will cost about and 2 euros, are due to be unveiled. On

Ecu10bn to change over the systems to the euro, with most of the cost borne by his association's members.

Including all types of com-controlled systems, the cost estimate rises to some Ecul5bn.

"The euro is a big beadache for most of us - I can't see much good coming out of it," Mr Röttinger says.

According to the association, the European vending industry accounts for annual sales of some Ecul3bn, including both equipment sales and rental fees plus the value of the consumer items dispensed from the machinery.

For many in the industry, a crunch point will come next year when prototypes of the eight denominations of euro coin, valued at between 0.01 euro

current reckoning the coins will become legal tender during 2002. Options for the shapes and sizes of

the new coins are being thrashed out in discussions involving the European Commission, the European Monetary Institute (the forerunner of the proposed European Central Bank), and national minting agencies, together with husiness representatives from industries such as banking, retailing and vending systems.

Mr Günter Kuhl, European sales manager for National Rejectors, says his company, like others in the industry, should be able to handle the switch to the new coins fairly easily bnt only if operators give them enough time to avoid bunching of work on converting old machines.

"If it all has to be done in the last

year before the switch to the euro in 2002, it will be too late," he said.

While most people in the vending equipment sector fret about the things that could go wrong with the changes, some are more confident. Mr Hans Are, financial manager at Jede, a Swedisb maker of vending systems, says he is sure large-scale problems will be avoided through the industry acting in collaboration in time.

Mr Luis Ruiz de Galarreta, international customer services manager at Azkoyen, a Spanish vending equipment supplier, is determined to look on the bright side.

His company is hard et work on new systems that recognise the euro along with existing national currencies. "It will be an opportunity to sell new and

Japan adopts UK's wait and see stance

By William Dawkins in Tokyo over-stated and did not nec- moment. We like to have a and Andrew Fisher in Frankfurt

Italian disput

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Emn is that it poses, for Japan, an as yet unclear mixture of opportunity and

Japan's hroadly positive view of the planned European single currency was expressed in a recent speech in Frankfurt by Mr Toyoo Gyohten, senior edviser to the Bank of Tokyo-Mitsubishi. In fact it was significant that he chose to ontline Japan's views on Emu at all.

During a recent visit to Tokyo, Mr Kenneth Clarke. UK chancellor of the exchequer, found the Japanese financial community almost silent on the subject, preferring to sift through information before voicing a view.

But hy dropping this reserve, Mr Gyohten demonstrated how the Japanese business community was starting to see the potential benefits of a strong and sta-hle euro. These include savings on foreign exchange transactions within Europe and between Europe and Japan, plus improved global monetary stability.

On the risk side, a successful euro would also pose a "new and quite aignificant challenge for the yen" by expanding the role currently played by the D-Mark in world corrency affairs. including Asian markets, said Mr. Gyohten, a former senior Japanese finance ministry and international monetary official. But that too, had an advantage.

"The antry of a strong challenger, the euro, on the Asian scene will provide a very healthy stimulus for the yen and Japanese business," he said, adding that until late 1995, "we Japanese were very much influenced by what I call Anglo-Saxon cynicism" about whether Emu would ever eee the light of day".

Japanese businessmen believed it would happen but remained concerned about whether the euro would become a strong, dependable currency...

Concern centred on whether countries wanting to participate in Emu would achieve the necessary economic convergence in time.

If the new currency did prove unstable, "disturbances in the euro could spread to the rest of the world, making the global monetary situation more voletile and fragile," Mr

Gyohten warned He said, however, that such worries should not be

essarily represent the major- counterpart in Europe which ity view. "I think Japanese business is watching the sit-state," says Mr Yoshio Japanese businessmen and uation – probably holding Suzuki, Japan's shadow bankers are for the first time its breath to some extent - finance minister in the oppotaking the prospect of Euro- with a delicate mixture of sition New Frontier party.

> business generally believed that the UK should and would do so. "My impression is that Britain will have to join the Emu scheme sooner

UK banks and securities houses in Tokyo are working overtime preparing Emn presentations for clients and a seminar by the European Union-Japan Industrial Co-operation Centre tomorrow has attracted interest. from more than 200 people.

The reason for the new euro-interest from Tokyo is Japanese manufacturing's substantial investment in

the UK - 40 per cent of the country's total direct investment in the European Union - and the large number of Japanese banks and stockbrokers in the City of London mean Japanese and UK interests are closely aligned. Clearly, it is Japan's interests to have a stable link fer some frustrations. That between sterling and the euro, and to safeguard its

stake in London. On the whole, the UK govbolding its decision on whether or not to join Emn until it is convinced that membership would serve its well received in Tokyo.

economic self-interest, is "It is not bad for us and the UK stays out for the and even indispensable."

is an independent nation

pean monetary union seri- hopes and concerns.". - ... But he and several senior ously.

As to whether the UK bankers point ont they The initial response to should join, he said Japanese expect, with some relief, a Labour government to be more positive towards the

> Why the relief? As Mr Gyobten points out, there is considerable doubt in Japan as to whether London could really survive as a leading financial centre if Britain did not join Emu.

> Another senior Japanese banker, e former diplomat, is more blunt. He points out thet even if Britain joins Emu, the City of London will find it hard to compete in trading in the euro and eurodenominated instruments against the combined forces of Frankfurt, Paris, Brussels

and Amsterdam. The continental four could well act as a single currency market, he believes. If the UK was an outsider, the City's access to single euro currency markets might be impeded. Japanese financial institutions would then sufis why we are so anxious to get some more information."

Bnt Mr Gyohten is convinced Britain's enlightened ernment strategy of with- self-interest will ultimately prevail. "Probably, the majority view of Japanese husiness is that Britain will come along. In the interests of the United Kingdom, they [Japanese businessmen] think that participation in for the rest of the world if Emn will be quite necessary

Emil: who's going to make it

The Enu calculator provides a weakly emperod of the probabilities which the financial markets place od selected coupules being willing and able to join tinencial markets, place on selected couplins being willing and able to join Germany it forming a single European currency in 1999. Currency strategists at investment beat. I P Morgan calculate the probabilities from the interest risks awaps market, in which investors with floating rate interest payments on an investment for the or ones. Countries are sectored it they have a figure awaps market spirich allows comparable probabilities to be calculated. The Australians is seen as being 100% certain of forming Cour. Finland, relief and Printings will be excited to the Emu calculator in the corning weeks.

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Fleishman-Hillard UK Limited 25 Wellington Street London WC2E 7DA Telephone: 0171 306 9000 Fax: 0171 497 0096 E Mail: leggettb@fleishman.com Soaring currency hits exports

Czech trade deficit at record level

1993 94 95

recently while imports had kept rising. While much of

the import hill is for machin-

ery and technology which

should help Czech compa-

nies modernise, there are few signs so far that indus-

try is becoming more effi-

imports of cars and cnn-

ures in 1996.

There were also high

By Vincent Boland in Prague

The Czech Republic's foreign trade deficit reachad a record Kč160.3hn (\$5.8bn) last year as a slowdown in western economies and the strength of the koruna left exporters struggling.

When a surplus on ser vices, likely to be Kč50bn in 1996, is deducted, the country's current account deficit last year is expected to be about 7 per cent of gross domestic product. That is one of the highest levels in the world. placing it alongside Malaysia and Thailand among countries with high external deficits.

The result for 1997 is expected to be even highar, at 8 per cent of gross domestic product, because of sluggish economic growth and the soaring koruna.

The latter has risen by about 5 per cent against the main western currencies since last summer, reaching an all-time high against the D-Mark earlier this month. The overall balance of pay-

ments deficit, however, is reduced by high tourism revenues, and the central bank also has large foreign exchange reserves.

Last year's deficit caused few surprises although it was at the high end of pessimistic expectations. It is unlikely to lead to any immediste policy change but will add to pressure for the koruna to fall.

The central bank has the freedom to reduce the value of the currency hy around 10 per cent against the US dollar and D-Mark, against which it is fixed, without a try must restructure. devaluation being necessary. because the koruna is currently at the top end of its 7.5 per cent upper band.

of the deficit, economists for damaging the country's said yesterday, was that reputation as an investment exports had stagnated location.

centre-right government is preparing to heighten a feud with the opposition over charges that (\$1.5bn) slip out of the pub-

The dispute involves some 600 large tax demands that are deemed to have lapsed. About half are believed to he for corporate tax. Mr Rodrigo Rato, finance and economy minister, said the government would demonstrate that neetigence by the Socialist administration had ed to an effective fiscal

lties" in the handling of tax investigations were made two weeks ago by Mr Jnan Costa, state secretary for finance. He is due to appear in parliament tomorrow to the previous Socialist justify the allegations. administration let Pta200bn Although the government has steered clear of direct charges of corrupt practice. members of the governing Popular party have accused

> their business allies. The Socialist party, which was in power from 1982 until last spring, has denied the instructions. Mr Felipe González, party

the Socialists of favouring

leader and furmer prima minister, added fuel to the fire by challenging the gov-The first recriminations ernment to disclose the about "delays and irregular- names of companies sor's record highlights its

Under current Spanish viduals nr companies expire after five years, but this period can be extended if the tax authorities open an

nfficial investigation.

After a long legal wrangle over tha workings of this "stop-the-clock" rule, the Supreme Court set a precedent last Fehruary, just before the general election. In a case involving a paper manufacturer it judged that the five-year rule could not tors failed to wind up their case within six months.

For many political abservers, the government's concentration on its predeces-

the exercise of powsr. Almost a year after winning its first general election victory, they say, the party continues to behave as if it

were in opposition. The government has no missed the opportunity of pointing out the coincidence between the Pta200bn figure cited in the tax allegations and the amount it is aiming to save through this year's freeze on public sector pay. This is the most unpopular of the measures taken so far in Spain's drive to meet the budget conditions for European monetary union. The message is that the pain might not have been necessary if the Socialists had handled their affairs better.



Felipe González: 'name names' challenge to accusers

Booming business brings bombs to Budapest

Criminal gangs fighting to control Hungary's flourishing sex industry are bringing mayhem to the streets of what was once considered one of Europe's safest cities, writes Virginia Marsh

cities, Budapest is heing rocked by a spate of gangland bombings and shootings. More than a dozen such incidents in as many weeks culminated in an antitank mortar attack on a nightclub on New Year's Eve, and there have been more grenade explosions

sumer goods. A sharp real rise in retail sales late last year suggested Czechs spent Police say the attacks are part of s power struggle between organheavily on luxury goods, preferring to spend their money ised criminals whose rise has been rather than leave it with one of the worst by-products of hanks, which were hit hy a Hungary's transition to capitalism. series of well-publicised fail-One of those killed before Christ-

mas was s well-known pimp, active "More spending is exactly in a flourishing sex industry that what we do not want at the ranges from producing pornogramoment," said Mr Vladimir phy through to trafficking and sell-Kreidl, an economist at the ing women and children for sexual investment bank Patria exploitation.

"There's a new fight going on between the Ukrainian and Hunto recent weeks, the government has introduced garian mafias," says Ms Zsuzsa some technical measures to Kadar, a trade union official active on women's issues, "It used to be help exporters hnt has rejected demands for a that the Ukrainian pimps controlled the bar, disco and hotel prostitutes and left the Hungarian devaluation or import surcharges as it believes induspimps with the streets. Now, the Ukrainians want a higger share." It is also moving to clean Prostitution is nothing new for Hungary but it has exploded, like up tha country's unruly capital markets, which are the rest of the sex industry, since blamed for weak inflows of

long-term foreign capital and the collapse of communism. between Budapest and Bangkok, Asia's sex capital. She says there

those who discreetly target smart city-centre hotels to the barelydressed women who parade, day and night, along the streets of the city's 8th district - to the fury of local residents and the parents whose children must walk past them on their way to school.

Thousands more work as dancers and hostesses in bars and nightclubs or in pornography. It is estimated that between 100 and 120 feature-length pornographic films are made in Hungary each year, mainly for western European markets - something which is toler-sted hecause of the large sums of money involved. This has helped keep alive the country's once important film industry, which has been hit badly by the post-Communist recession.

Much of the pornography is made by foreigners, who, to the concern of the police, are increasingly active in the local sex industry. The growing tovolvement of international criminal groups, according to police and activists, is a significant factor behind the npswing in migrant women and children working in the industry.

"Hungary is both a source [for the sex industry], a point of transit and a destination," says Ms Ms Kadar draws parallels Antonia Burrows, a British university lecturer who has been active in women's groups since moving to

nce one of Europe's safest are some 60,000 prostitutes: from Hungary in 1988. "The Budapest-Vienna axis is now the most important east-west route and Budapest is where the deals are made.'

The interior ministry estimates about a third of prostitutes in Budapest are immigrants, many of them from neighbouring Ukraine and Romania. Like many Hungar-

Pornographic films have helped keep alive the country's once important movie industry

ian prostitutes, some end up further west - in Austria, Belgium or the Netherlands. Police in Vienna estimate that two thirds or more of prostitutes working there are for-

Many are driven to prostitution hy the widespread poverty and mass imemployment caused by the transition from communism. Others are tricked into the sex industry after answering innocent sounding advertisements offering give evidence." good salaries in the west for au pairs or waitresses The Geneva-based international

bring women from the region to western Europe than It is from other developing countries. Distances are shorter, citizens from many former east bloc countries no longer need visas and, as the region is so close to the European Union, traffickers can easily afford to replace women after a short

while with new recruits. global trade in migrants - a business which the United Natinns estimated in 1994 was earning criminal

organisations up to \$3.5bn a year.

Part of the problem, according to
the IOM, is that trafficking in human beings is not a crime in many states and that, in others, the penalties are often "absurdly low". Along with other groups, it is pressing for greater co-ordination on migrant trafficking between European countries, including better extradition procedures.

The criminals slip over the border and laugh at you from the other side," says Ms Burrows. "The women when caught are all too often deported. Instead, they should be granted temporary residence rights and encouraged to

The issue has begun to receive

Organisation for Migration says it minister, became the EU justice ls easier and less expensive to and home affairs commissioner two years ago. Ms Gradin, who says the fight against organised crime and drugs is her top priority, is concerned, among other things, that criminal groups are moving into migrant trafficking because the risks are so much lower than

for drug smuggling. Ms Kadar believes greater aware ness of trafficking and sexual It says countries in the area are exploitation and an education cam-ill-prepared to combat the growing paign aimed at school children is exploitation and an education camone of the few effective means of combating what, she says, is already a deeply entrenched indus-

> Few hold out much hope that the police, tainted by their years as agents of the Communist regime and now demoralised by internal corruption scandals and by low status and pay, will be able to deal with the problem in the immediate

> Women's groups say the authorities are in a quandary over how to deal with the sex industry but that, faced with a barrage of criticism over the recent shootings, the main thrust of policy is to protect society against the industry, rather than to help prostitutes or the victims of trafficking or to stop it spreading further.

"The sex industry is all around more attention since Ms Anita Gra- us," says Ms Kadar. "But in this din, a former Swedish immigration country it is still a taboo subject."

> single-parent households. It accounts for 45 per cent of

Generous social security

benefits are widely cifed as a

cornerstone of Totonto's

famed civility. The city has

no slums and relatively few

homeless people. It recorded

60 murders last year, just

two more than Buffalo, New

York, the nearest US city,

with a population only one-

Critics assert that current

property tax rates would fall

far short of the cost of social

services, especially when

demand for those services

chaired last year's task

force, said the reforms would

"set in motion a downward

spiral nf service cuts, tax

increases and assessment

loss - the very downward spiral that has devastated

American urban centres and

that we have so successfully

The Board of Trade of Met-

ropolitan Toronto, normally

a hulwark of Tory support. has also condemned the pro-

posals. It estimates the aver-

age homeowner would face a

tax increase of C\$350 a year.

Business taxes, already

among the highest in North

America, would also soar. Mr George Fierheller, the

board's president, says: "It is

not reasonable to hold local

and local residents responsi-

avoided up to now". -

Ms Anne Golden, who

rises in tough times.

eighth of Toronto's.

Ontario's public housing

NEWS: THE AMERICAS

Network may sue Washington to get bureau approved

CNN in row over Cuba

By Raymond Snoddy

Cable News Network, the international television news organisation, is planning to take the US government to the federal courts if it is refused permission to establish a bureau in Havana.

After detailed talks with Mr Fidel Castro. the Cuban president, CNN was given permission to set up the operation last year. However, the Atlanta-based group founded by Mr Ted Turner has found its plans held up by the need for US government approval.

The last US news organisation reporting from Cuba was expelled 30 years ago. but the current problems arise from the US trade embargo with Cuba. Permisunder Trading With the Enemy legislation and the Helms-Burton Act. intended to prevent companies from investing in Cuba.

Dnnkin' Donuts, the

fast-fond chain that Presi-

dent Bill Clinton used to

patronise in his native

Arkansas, is about as Amer-

ican in most people's minds

But if present political

trends coutinue, the com-

pany may soon be denied

tha opportunity to contrib-

ute to US political parties

because it is foreigo-owned

drink and reteiling con-

glomerate Allied Domecq.

part of the UK-based food.

As controversy over the

role nf "foreign money" in

US politics grows, so does

the pressure for tighter

restriction - at least on a voluntary basis - of the

political donations made by

companies with non-US par-

to return \$1.5m in contribu-

tions frum "questionable

The Damocratic National

as baseball or apple pie.

By Bruce Clark

in Washington

permission would

Former US president Jimmy Carter has attacked US legislation tightening the economic embargo on Cuba, saying it is the "worst mistake" a US administration has ever made, Canute James reports from Kingston. "It tends to make [President Fidel] Castro look like a

David fighting against a Goliath, making him a hero to some people," Mr Carter said during a visit to Kingston.

dent Bill Clinton for a final cbairman of the CNN News Group, who was in Washington yesterday to continue lobbying, said he was "guardedly optimistic" that

"In the event we are denied approval we will seek redress in the US federal courts," said Mr Johnson. Lawyers specialising in the

Asian business connections

it would no longer take

money from the US subsid-

iaries of foreign companies.

The gesture was less dra-

matic than it sounded,

because it did not immedi-

ately affect two party war

chests that are used to sup-

port Democratic candidates

in the House and Senate

of those funds, the Demo-

cratic Congressional Cam-

paign Committee, told Roll

Call, the Capitol Hill gossip

sheet, that it also expected

to start turning away the

money of foreign-owned

companies. Tha Senate fund

said it would continue to go

hy the law, which hars

direct dunations from for-

eign companies but allows

their US subsidiaries to con-

buying influence to US poli-

tics, and access to the presi-

The idsa of foreigners

But a senior official at nne

respectively.

trihnte.

announced last week that

The Helms-Burton Law, which threatens penalties against fureign companies and husinessmen doing business involving nationalised property in Cuba, allows Mr Castro

excuse for his own economic and political failures and for the freedom and democracy they deserve".

Foreigners plead to be heard

sources" - mostly with dent, has touched a raw

his inability and unwillingness to grant the Cuhan people

First Amendment, which

"to play the martyr while doing little to advance democracy Mr Carter said the law gave Mr Castro "an undeserved

> guarantees freedom of the hired. If that approach did not work, Mr Johnson said he would try to get legislation initiated to Congress.

> nerve - and the White

House has been embarrassed

hy revelations about the

zealnus fund-raising activi-

ties among Asian and Asian-

American businessmen by

Mr John Huang, a Taiwan-

ese-American banker and

President Bill Clintun

admitted last month that it

was "clearly inappropriate"

that Mr Wang Jun, the head

of a Chinese arms concern.

had been entertained in the

White House after making

connections with DNC fund-

Bnt hustoesses that are

long-established in the US.

and happen to have foreign

parents, are dismayed at the

prospect that they will be

dented the ability of make

their voice heard on the

same basis as their US-

Mr Todd Malan, a spoke

for International Invest-

ment, which represents US

man for the Organisation

owned competitors.

former DNC official.

"There is no more important principle than freedom of the press," said Mr Johnson, and this applied particularly when the obstacle had been created by a country which was a bastion of that freedom.

Mrs Madeleine Albright, the new US secretary of state, in discuss the issue. "We have been advised that a recommendation to Bernard Simon

President Clinton wili be made shortly," the CNN chairman said. CNN has a team of five ready to begin Cuban coverage as soon as permission is given. There will be two local hirings but the bureau

with a Latin American background, Ms Lucia Newman. The Cuhan-American National Foundation, a Miami-based group opposed to communist rula in Cuba, has raised no objection to a CNN office in Cuba, although it would like to see

other news organisations receive the same permission.

to March CNN will launch its CNN en Español for Latin America from its headquar ters in Atlanta. The city was chosen rather than Miami to avoid direct political pressure from Miami-based lobby

subsidiaries, said sncb

restrictions wunld be

amount to unfair discrimi-

nation. The ownership of

multinationals whose stock

was heavily traded in more

than one stock exchange

was nften difficult to pin

A spokesman for MCI, the

US telecoms operator which

has annunced a \$20bu

merger with British Tele-

communications, noted that the current cuntroversy

mainly concerned contribu-

tions to political parties - as

opposed to the fundtog of

individual campaigns by

"political action commit-

in support of individual can-

didates and It expected to

continue doing so, but it

would also abide by any

code of conduct set by the

parties. Mr Robert Stewart.

the company spokesman,

said: "The parties have the

sure groups known as

down, he said.

Reform plan stirs Toronto Opponents even citizens, disabled people and

from Ontario province to save the city, writes

7 isitors to Toronto are unlikely to enthuse about the scenery or the weather. Some feel the most impressive sight in Canada's biggest city is the hulbous retractable roof of chief will be a CNN staffer the SkyDome basebail stadium, firmly shut at this time of year to keep out snow, freezing rain and ice

pellets. Yet Toronto has no sbortage of fans. Clean and safe streets, efficient municipal services and vibrant ethnic neighbourhoods help make it one of the world's most admired cities. A task force of five civic leaders concluded last year: "Greater Toronto is one of the few city-regions that combine sll the ingredients for social

and economic success. But passionate debate has erupted in recent weeks about whether that success can be sustained - in the face of a hizzard of local government reforms proposed by the provincial gov-

rnment of Ontario. The debate bas been uncharacteristically angry. One dissident group even suggested that Toronto, which has about a quarter of Ontario's population, should secode from the province. At the same time, a columnist in the Toronto Star. supporting the proposals, accused the "downtown elite" of working themselves into a

righteous froth". The province's reforms are part of the governing Progressive Conservatives' "common sense revolution". designed to shrink the public sector and improve the effictency of what is left.

They also reflect a drive among financially strapped governments across Canada to push responsibilities and the financing headaches that go with them - to the level of government below. Ontario is in an especially tight corner. The Conserva-

tives, who took office in mid-

1995, have promised both to

Toronto's SkyDome and CN Tower: clean and safe city

C\$10bn (US\$7.4bn) by 2001 and to slash income tax

Under the reforms, six municipalitles that make up metropolitan Toronto would merge in a singls "megacity" of 2.3m people. The number of city councillors would fall from 120 to 44, and the government has promised hig savings by rationalising municipal bureaucracies.

The government also plans "disentangle" provincial and municipal finances. The province would gain tighter control over education by funding schools entirely from general tax revenues. At present, a portion of municipal property taxes

Local authorities would then be free to use property taxes entirely for local services, including some func-tions now financed largely by the province.

Critics of amalgamation contend it is a solution to a non-existent problem. They question whether the anticipated savings will be real-

ised, and worry that one big municipality will have less incentive to maintain and revive old neighbourhoods in central Toronto, a policy that has helped keep urban councils, local businesses decay in check.

But the angriest protests are over the province's plan to include social services shifted down to local authoritles and financed out of property taxes.

nder tha proposais. municipal funding of welfare assistance, child care and hostels for the homeless would climb from 20 per cent to 50 per cent. Municipalities would gain total responsibility for low-income housing and public health

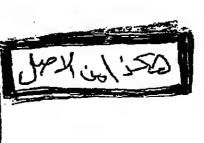
Toronto would end up with a disproportionately heavy burden. About 18 per cent of households have an annual income of less than C\$20,000 (US\$14,840), more than double the proportion in the affinent suburbs that ring the city.

ble for a local burden of social need which arises frum economic conditions which have no relation to, or respect for municipal boundaries."

The government sims to push all its proposals through the provinctal legislature this spring. It has refused to be hound by a plebiscite on amaigam that the six municipalities plan to hold next month.

Mr Mike Harris, the prov ince's premier, indicated last week he might compromise on social services financing by setting up a buffer fund with contributions from the province, the new "megacity" and other; wealthier municipalities in the region

But this concession is unlikely to satisfy many critics. The stage is set for a most unToronto-like con-



fire

ARY 38 199

dapest ing mayhem to

Who's developing new therapies to make

transplants more successful?

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Brittan in offer to E Europe

By Guy de Jonquières In Brussels

The European Union should be ready to exempt imports from central and eastern European countries from its anti-dumping regime, pro-vided they enforce EU rules on competition and state subsidies to industry, Sir Leon Brittan, Europe's trade commissioner, said yester-

Sir Leon was responding to a demand by Mr Vladimir Dlouhy, the Czech Republic's trade and industry minister, that the EU stop applying its anti-dumping policy to cen-tral and eastern European countries as soon as they

begin formal negotiations to join the EU.

east European trade seminar in Brussels that such a move would depend on whether the Commission's planned assessment of the countries membership applications found they were applying EU competition and subsidies rules effectively.

Though several of the countries had passed laws intended to mirror the EU rules, they still had to show they were putting them into practice, he said. If the Commission found that to be the case, be would press to have the anti-dumping regime

Sir Leon said the EU planned to relax its policy by allowing greater flexibility to central and east European producers in carrying out their promises to Brussels to raise the prices of dumped

Dumping is defined as exporting products at artifi-cially iow prices, which injure producers in import-If the EU finds products

havs been dumped, it can impose special duties on them or require offending exporters to raise prices. The Brussels seminar was organised by the Commission in an effort to reduce

trade frictions with central

and eastern Europe. It was attended by ministers and officials from the 10 applicant countries, as well as by senior EU officials and busi-

Although the number of EU anti-dumping measures against exporters in central and eastern Europe has fallen sharply - to 11 last year from 20 two years previously - the policy was critic-ised by government representatives from the region

yesterday. Mr Dlouby said some EU industries. notably steel, seemed to view antidumping as a way of solving problems of competitiveness. final decisions on these rather than as a legitimate

A senior Dutch foreign

ministry official told the seminar his government wanted to use its six-month EU presidency, which began this month, to press for greater transparency in the handling of anti-dumping

Mr Frans Engering praised Sir Leon for curbing abuse of the EU policy by making

But Mr Engering said that the Commission was still not consulting closely enough with member states, which

Pretoria fails to advance EU talks

By Roger Matthews

South Africa and the European Union made little progress towards bridging their differences over terms of a new trade and development agreement during three days of talks in Pretoria which ended yesterday. Mr Zavareh Rustomjee, director-general at South Africa's department of trade and industry, said be had been "extremely frank" in spelling out his country's position which was aimed at securing a deal "very much broader than that of a narrow trade sgreement". He believed negotiations would stretch on through the year.

Mr Rustomiee said much time had been spent attempting to understand the other side's proposals. "We have not reached the point of trading on any particular been made by either side,"

South Africa has challenged the EU's negotiating mandate, claiming it ignores ledges made to Pretoria at the time of the transition to democracy, that it falls to take account of trading realities in the southern African region, and unfairly discriminates against its agricul-

The EU negotiating team stressed it would be impossible to make progress until South Africa put specific proposals on the table. It had sent a full team to Pretoria for that reason, but complained the South Africans were not prepared for the detailed work essential to any trade negotiations.

The EU last year rejected. South Africa's proposal for full access to the preferential trade terms granted to African, Caribbean and Pacific countries under the Lome Convention, but Pretoris said it was willing to negotiate a qualified protocol. The next round of talks is due to he held in Brussels

next month

WORLD TRADE NEWS DIGEST

Ecuador seeks pipeline bids

and operate a 514km oil pipelins from Sacha, in eastern Ecuador, to Balao, on the north-western Pacific coast. This will alleviate a transport bottleneck which is limiting crude production to around 385,000 barrels a day.

Oil is Ecuador's biggest export, with crude and derivatives amounting to \$1.6bn, or 36.4 per cent of total exports from January to November, 1996. Lack of transport capacity has deterred private oil companies from investing in oil exploration and extraction.

Mr Alfredo Adum, the energy minister, said the pipeline contract could be appared by May Construction.

contract could be awarded by May. Construction, requiring an investment of \$400m, should be completed in 1999. The winning bidder must provide storage facilities for up to 750,000 barrels of crude at Sacha and 2m barrels

This decision to allow the private sector to build and run a pipeline comes after repeated setbacks for earlier projects. In 1995, a bidding round for the private sector to expand and then operate the state pipeline was called off amid fierce opposition from oil unions and the

Emirates buys Rolls engines

Rolls-Royce of the UK said yesterday it had sold Trent 700 engines worth \$500m to Emirates, the Dubai-based carrier, for its new Airhus A330s. The UK group said Emirates was the only airline in the world with an all Rolls-Royce fleet and was now one of its higgest customers.

Emirates has ordered 16 twin-engined A330-200s with options on a further seven. Aircraft deliveries are due to egin in 1999 and to continue at four a year until 2002. The sirine uses Rolls-Royce Trent 800 engines on its Boeing 777s. It operates three 777s and will take delivery Michael Skapinker, London

Sherritt defies US sanctions

Canada's Sherritt International Corporation, one of the first foreign investors in Cuba to face sanctions under the US Helms-Burton law, has signed a new joint venture on the island to convert sulphurous gas from Cuban oil wells into electricity. The project, whose cost is estimated at C\$35m (US\$25m), brings together Sherritt, the Cuban state oil company Cupet, and Cuba's electricity generating board, Union Electrica. They will each bold a one-third share in the joint venture company, Energas.

Energas will build and operate a plant at Cuba's premier beach resort of Varadero that will treat and clean sulphurous gases produced from local oil wells and onvert them into electricity for sale to the national grid. Executives from Sherritt, which has investments in Cuba in nickel mining, oil exploration and farming, were barred from entering the US last July under the US Helms-Burton law that seeks to curh foreign investment

■ Pratt & Whitney Canada, the world's leading small turbine engine producer, has signed a partnership pact with Aviation Industries of China.

A joint venture company based in Hunan province will make engine components for Pratt & Whitney Canada, develop small turbines for the Chinese and international markets and overhaul Pratt & Whitney Canada engines in Robert Gibbens, Montreal

The virtue of virtual warehousing

Accountants dream up scheme to short-cut EU customs red tape

The European Commission has backed a plan to cut the cost of importing manufactured goods into the EU by the setting up of "virtual warehouses" to co-ordinate payment of customs tariffs. Tax officials from all 15 member states have been briefed on the scheme, pnt

forward by the accountancy firm KPMG along with an unnamed large foreign manutacturer and an unnamed EU member state. A Commission spokesman said: "We are very much in favour of this project, which

eems to us a model case having very positive effects on other companies." Mr Terry Sbaw, a UK-based lead partner for KPMG's European customs

to be implemented this sum-

mer and the ramifications of its implementation will revo-

lutionise cross-border trade." However, indlvidusl national tax authorities, while privately welcoming which simplifies taxation in the EU, indicated that securing unanimity on the issue would be difficult.

At the moment, large manufacturers which import into several EU states have to pay customs tariffs in each one - dealing in each case with different regulations and valuation rules, as well as exchange rates.

Under the KPMG scheme all tariff calculations for an importer would be harmonised and centralised, probahly at its European headquarters. Each member state would subsequently receive lts rightful allocation of

"No longer will, for exam-



Containers on the docksids awaiting export. The KPMG initiative could revolutionise the paperwork involved in importing manufactures to the RU

have to deal with up to 15 customs authorities. This can be onerous, it should make the control of imports into the EU much easier." said Mr Shaw.

KPMG said "blanket warehousing" would allow companies to "cut red tape and save businesses hundreds of thousands of pounds". A specific scheme for one client was presented to the Commission's customs warehousing technical committee last week. Mr Shaw said there

ple, a foreign car importer was already provision for such arrangements within the EU's Customs Code. If successful, the scheme

would be adopted by many importers and would mesh with the growing trend for. large multinational companies to bring accounting operations together within so-called "shared service

As a model, it could also be used to simplify the collection of trade statistics. However, the scheme depends on each member

state being sure it will tax. It also requires harmonisation of procedures in what is at present a diverse tax regime within the EU. While the level of duty is uniform. other factors vary widely.

There is still a long way to go on this," a tax official with one member state said. There have been several attempts to solve this problem - we have long been pushing for simplification and this shows what is possi-

NEWS: INTERNATIONAL

Resignations threaten KwaZulu Natal peace Global PC

By Mark Ashurst

The fragile political peace in KwaZulu Natal, the South African province controlled ter, who has been appointed by Chief Mangosuthu Buthe- acting chairman of the lezi's inkatha Freedom party. party, bangs in the balance following the resignation of the provincial leader and as a pragmatist and comtwo of the party's top offi-

next month. His likely successor is Mr Ben Ngubane, the provincial finance minis-

Analysts said Mr Ngubane, who has earned a reputation mands esteem among the predominantly white busi-Mr Frank Mdialose, pre-mier of KwaZulu Natal, quit ince, was committed to his post as Inkatha's building an effective worknational chairman during a ing relationship with the

province in 1994, when Inkatha won 51 per cent of the KwaZulu Natal ballot in Sooth Africa's first democratic election.

further reconciliation could be stymied by the resignation of Mr Ziba Jiyane. inkatha's secretary-general and a staunch advocate of nationalists, eschew closer democratic reforms within co-operation with the ANC the Zulu-based party. His and court support among efforts to build new support other tribal groups. in Octoamong other ethnic groups ber, Mr Khumalo was acquitmarathon 15-hour meeting of African National Congress. and minorities were disapted with Mr Magnus Malan, people died in political vio-

areas by the ANC.

Mr Jiyane will remain in office until July, but bls duties will be taken up by his deputy, Mr Zakheie Khu-However, the prospect of malo, who commands a loval following among Inkalba traditionalists. They argue that the party should consolldate its support among Zulu

supporters at KwaMakhntha township.

Diplomats were divided over the impact of the resig-nations, "This is not a crisis. Butbelezi has always played moderates off against hardliners," said one. But others sald the resignations signailed a defeat for moderates, whose readiness to work with the ANC had contributed to a drop in the death toll in KwaZulu Natal It is estimated that 580-650

The third resignation was Mr Musa Myeni, lnkatha leader in the industrialised Gauteng province, which is controlled by the African National Congress. Mr Musa is widely credited with promoting peace among mine workers on the East Rand near Johannesburg.

None of the three has disclosed the reasons for their departure, despite persistent reports of tensions with Mr Buthelezi, Inkatha president and minister of home affairs the party's national council The parties have a mixed pointed during local electic the former defence minister, lence in KwaZulu Natal last in the national government.

Anatoly Dubatov of the min-

istry of energy and coal.

This makes it one of the

country's largest creditors.

For comparison, the total

smount of loans on the

books of the Kazakh banking

Meanwblie, Kazakteiecom

is owed nearly \$100m by cus-

tomers, according to Mr

Aidan Karibzhanov of Kaz-

kommertsbank, Kazaktele-

com's financial advisers.

Kazakgas, one of the state gas pipelins companies, is

Because they are such

large creditors, the utilities

are also among the country's most indebted entities,

owing a large chunk of its

For example, half the debt

owed to the power industry

is owed in turn to Russia for

payment arrears, which may

be resoived through a \$370m

sector is 63bn tenge.

owed 24bn tenge.

\$3.9m foreign debt.

st the weekend. He will formate the comperation in the maily step down as premier unity cabinet formed in the party was trounced in urban the 1987 massacre of ANC 800 deaths in 1995.

Worldwide shipments of personal computers increased by 17.7 per cent to 70.9m units last year with Compaq Computer, International Business Machines and Dell Computer all posting strong gains, according to Dataquest, the market research firm

In contrast struggling Apple Computer suffered the higgest worldwide market decline in shipments and saw its market share fall further, while sales of machines made by Packard Bell NEC, the home PC specialist, also

Dataquest's figures, and those of its arch-rival, International Data Corp which put the worldwide sales gain at 16 per cent last year to 68.4m units, confirm that while the PC industry expeyear, the increase in unit shipments was less than in

The slowdown mainly reflects weakness in the home PC market and disappointing fourth quarter sales compared with the exceptionally strong 1995 Christmas period.

According to IDC, last year was the first since 1991 in which sales did not increase by more than 20 per cent. The PC industry averaged about 21 per cent annual growth from 1991 to 1995. Both the IDC and Dataquest figures confirm that growth slowed markedly in

debt-equity swap involving a high-voltage power line runthe fourth quarter. IDC reported that global PC shipning through northern Kaz-akhstan and some equity in ments increased by just 11 per cent to 20.4m units in the a Kazakh power station. crucial pre-Christmas quar-Kazaktelecom, meanwhile. crucial pre-Christmas quar-ter, traditionally the stron-17 per cent this year. owes DM460m to Cermany equipment bought in

1991, which any new bidder for the company would be asked to pay off. Kazakhstan owes equivaleatly large sums to Uzbeki-

eas supplies. "I think they need to keep the monopoly around until they get the system fixed," sald one businessman.

gest period for PC sales. Mr Eric Lewis, an IDC ana-

lyst, said the main weakness was in Germany, the world's: third-biggest PC market where sales actually fell from a year ago. In contrast fourth-quarter growth in the US was much stronger than elsewhere at 15 per cent but still below the 20 per cent which had been forecast because of weak consumer

Dataquest's figures highlight the differing fortunes of individual manufacturers. "While some vendors suffered from slowing PC home sales, others excelled," said Mr Scott Miller, an analyst with Dataquest.

Led by strong sales to corporate customers, Compaq, IBM and Dell showed the biggest increase in shipments while Hewlett-Packard entered the top five for rienced robust growth last the first time. However, companies like NEC's Packard Bell NEC and Apple. which are more focused on home PC sales, suffered. Apple's market share fell by more than a third in the fourth quarter to 4.5 per cent. Com-paq retained its position as the worldwide PC market leader for the third year in a row with 7.1m units shipped. an increase of 19 per cent. Overall the industry's profitability improved last year, mainly because of the

reduced cost of components, particularly memory chips. IBM and H-P have said their PC operations were modestly profitable while Company Deii and Gateway reported sharply higher earnings. IDC is forecasting world

		a sold Mons) 1995	Mark Share (
Compaq	7.128	5.010	19
IBM	6.09	4.761	
Packard Bell NEC	4,33	4.556	
Apple Computer	3.696	4.735	
Hewlett-Packard	2.914	1.92	

Investors grapple with Kazakh utilities

Foreigners attracted to sell-offs are in the dark about the ground rules, writes Charles Clover

he privatisation pro-cess in Kazakhstan willions of dollars. The counrevolving door last week. Just as the government considered bids from two western companies to negotiate exclusively for the bighvoltage electric power grid, it announced at the same time a new tender for the state-owned telecommunications company following the winter have suffered service recent collapse of a similar set of exclusive negotiations with Deutsche Telekom.

The same questions which failed to be resolved in the need to sit down and agree telecoms negotiations are on an investment plan, and likely to pop up again once a potential electric grid operator has been identified, for investment plan possible." the sticking point in the Deutsche Teiekom negotiations was the regulation of so-called natural monopolies. The high-voitage electric grid, which transmits twothirds of Kazakhstan's ejectricity, falls squarely into this category.

Kazakhstan's utilities are plagued with unpayable debts, uncollectable credits, and a resulting lack of investment, which makes them prime targets for priva-

The state grid company is seeking \$500m investment towards stabilising the power lines which connect the north and south of the country. The telecoms com-

pany, meanwhile, would like

began to resemble a try's natural gas pipeline system is also going through the tender process, boping to raise investments of \$125m.

But foreign investment in these utilities is likely to be proportionate to how profitabie they are permitted to be at the expense of Kazakh consumers, who already this cuts of catastrophic proportions due to non-payment for energy supplies. "The concessionaire would

then agree on a pricing structure to make that said a western businessman. The two suitors for the

grid are National Grid Company of the UK and a consortium of Asea Brown Boveri. the international power engineering group and Viag of Germany. Once their hids are evaluated one of them will be turned over to a host of ministries and govern-ment agencies which will sort through the competing imperatives to determine how much control the new operator will have over

infrastructure and prices. Deutsche Telekom was the first company to test the waters of Kazakhstan's utilities regulatioo last autumn when it tried to negotiate tariff agreements and operatto increase the number of phone lines from 2.1m to (\$519m) investment in the akhstan," said Mr Sapargale



The company was unable to get a commitment from tbe State Committee for Price and Anti-Monopoly Policy for tariff increases beyond 1997. it was also unable to get a government guarantee that it would be a monopoly. The operating liceoce issued by the Ministry of Transport and Telecommunications was said to vague abont exclusive rights to the provision of the more profitable services such as long distance and international calls.

"During the 1980s, all the

developed countries moved

away from a policy of tele-communications monopoly.

seriously considered by Kaz-

state telecoms company.

Shaimokhanov of the Telecommunications Ministry. Regulating the electricity grid would pose the same dilemmas. While the grid company doesn't have any generating capacity of its own, 40 of the 60 terawatt! hours of electricity used in Kazakhstan last year travelled through its highvoltage lines, according to an official in the Ministry of Energy and Coal. Transit fees must be nego-

tiated with the Anti-Monopoly Committee, while a min-Istry-issued iicencc determines the concessionaire's rights to the infrastructure: in this case, whether and how the grid company can buy electricity from power stations and sell to the 12 local utilities in customers, according to Mr

The National Grid Company would not seek to trade electricity, but an ABB spokesman said the issue was still not yet properly defined. Complicating the formula

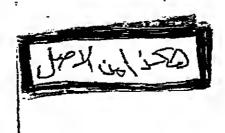
still further is that the utilities are at the ceotre of s cannot be collected. much of the liabilities and

assets new investors would have to assume.

Kazakhstan, rather than just taking transmission fees. has already declared it

liquidity crisis affileting the entire Kazakh economy, where enterprises owe and are owed vast sums which cannot be paid because they it is still unclear how

For example, the electric power industry is owed 50bn tenge (\$663m) by domestic



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And the second of lls engines west had win Troop The house of the last of the l * Charter and the same

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Dexia, the European banking group born out of the merger of Crédit Local de France and Crédit Communal de Belgique.

Dexia is the fruit of the pooling of the values, skills and financial means of two credit institutions:

- Crédit Local de France, a leading financial partner of local communities in France with a network of establishments in Europe and in the United States.
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A European banking group with total assets of USD 200 billion.

With USD 8 billion in equity and total assets of USD 200 billion, Dexia's financial health will enable it to enjoy rapid international expansion. The complementary nature of collecting deposits and refinancing on international markets ensures Dexia the financial means for its development.



The European banking group, the leader in financing public services, has been born.

اللامة العنات

A solid group, involved with its partners.

Quoted on the Paris and Brussels stock exchanges Dexia will be announcing its results starting in 1996. For the first half of 1996, it has already posted a combined net profit of more than USD 340 million. Anxious to offer its shareholders the best investment, Dexia will pursue an active dividend policy.

A group which finances the living environment with nearly USD 20 billion in new loans each year.

Public transport, motorway infrastructure, facilities for education, health, telecommunication, environmental protection, power supply, home improvement - needs are considerable the world over. Dexia, specialized in financing community facilities and in financial services for public administrations, will be seeking to develop all branches of the banking profession in order to offer the best-adapted banking products and services to its clients throughout the world.





ASIA-PACIFIC NEWS DIGEST ...

China plans \$2bn bond issues this year

By Tony Walker in Beijing

China plans to issue some \$2bn in bonds on international markets this year, a slight rise on 1996. The bond issues will he

aimed at financing infrastructure projects in such areas as energy, transport

The official China Daily Business Weekly reported that the State Development

\$350m in Yankee bonds -US dollar bonds issued in the US domestic market by non-US borrowers. Bank of China would return to the international bond market after a two-year absence.

Chinese institutions would seek to take advantage of a favourable climate for fundraising abroad, with investors responding positively to Chinese paper. Mainland institutions issuad nine the \$30bn Three Gorges dam

raising abroad coincide with an ambitious programme of bond isanes domestically. which are expected to raise Yn15bn (\$1.8bn) this year, mainly to overcome bottlenecks in such areas as railways and power generation. Beijing is increasing reliance on bonds to raise funds

for infrastructure, including

ture" bank, would issue batches of bonds last year, on the Yangtze China has tion of Exchange Control about \$10bn annually system in Yankee honds - raising some \$1.81bn. announced a Ynibn domes (SAEC), which regulates Chiraising some \$1.81bm. announced a Yn1bm domes-Plans to increase capital tic bond issue for the hydropower project and is planning a \$120m foray on to-international markets.

China'a four specialised commercial banks - Bank of China Industrial and Commercial Bank, Construction-Bank and Agricultural Bank - are expected to raise funds

na's foreign borrowings, as saying that domestic institutions would be encouraged to secure "low cost" funds in -international markets

"actively and steadily".
--But-he sdded that the growth of national foreign debt-would still be under "strict control". China's forthis year internationally. — eign debt stood at \$109.57bn huild-up in foreign exchange China Dally quoted an office at the end of June. Principal reserves, which reached cial of the State Administraand interest repayments are

> the government was applying pressure on the banks to

lend to Hanbo. Their behav-

iour otherwise is very puz-zling," said Ms Anne Lowell,

a banking analyst at HG

The government agreed

yesterday to conduct a spe-

cial parliamentary investiga-tion into the Hanbo affair. In

addition it is trying to calm

the banking industry by

injecting Won1.000bn into

Particular concern has

focused on Kores First,

which has already suffered

from several other big corpo-

rate bankruptcies and losses

in equities investments. Moody's Investors Service

has issued a warning for a

possible ratings downgrade

on Korea First and two other

Hanbo creditors, Cho Hung

Bank and Korea Exchange

Analysts predict that

state-run Pohang Iron and

Steel, the world's second big-

gest steelmaker, will proba-

hly take over the Hanbo

steel project in what would

amount to a state rescue

that would reduce loan

Hanbo "reflects the mis-

takes of the past. The hope

is that it will serve as cata-

lyst for a .oeeded restructur-

ing of Korean industry,

although the process will be

painful," said Mr Edward

Kim, a director of Ssangyong

Investment & Securities.

losses for the banks.

the financial sector.

Asia Securities in Seoul.

The State Planning Commission says China will raise foreign borrowings by \$7bn to \$180n this year for infra-structure projects aimed at narrowing the "rich-poor gap" hetween coastal areas and the hinterland.

China's plans for a modest rise in foreign borrowings coincides with a continuing

Japanese

More

sunk

moto in Tokyo.

by November.

by debt

Japan's finance ministry has warned of a further rise in

bankruptcies after a record

number of people filed for

hankrupicy in the 11 months to November last

year, writes Michiyo Naka-

Court records indicate the

number of personal bank-

ruptcies last year is likely to

have been a record after top-

ping 50,000 for the first time

The finance ministry.

which has asked consumer

finance companies to con-

sult each other on ways to

stem the growing tide of

personal bankruptcies, said

it was concerned the num-

Japan's supreme court

handled 50.615 filings for

individual bankruptcies to

November, far exceeding the

43,414 cases for the whole of 1995. Of those cases, 81 per

cent were applications by

consumers whn had bor-

rowed from finance compa-

"We are concerned that

personal bankruptcies could

increase, since the value of

consumer loans outstanding

is rising even while incomes

are not," an official in the

finance ministry's banking

income of Y323,210bn, fig-

ures from the Japan Con-

onmer Credit Association

show. The ratio of consumer

finance loans to disposable

income in Japan has sur-

passed that in the US since

The finance ministry has

asked consumer finance

companies to tighten credit

from excessive advertising

and inform consumers about

burean explained.

nies other than banks.

ber could rise further.

on HK troops Britain yesterday called on China to cut the number of troops it wants to send as an advance party before the

territory returns to Chinese sovereignty in July. The issue has emerged as a source of tension between the two sides. since Belling announced its intention last November to

despatch troops ahead of the handover.

Britain and the Hong Kong government have sought to limit the number of troops and the time they spend in the the force that Beljing intended to send, Chinese officials previously indicated they wanted to despatch about 300 in the advance team. Estimates for the size of the total People's Liberation Army garrison in Hong Kong after the handover range from 6,000 to 8,000.

The issue is now being discussed by the Joint Liaison Group, the Sino-British body which negotiates handover arrangements.

John Ridding, Hong Kong

Australia broadcasting probe

A government-commissioned inquiry into the future status of the Australian Broadcasting Corporation, the publicly-owned television and radio group, has supported the sale of many of the company's assets and functions. But the inquiry says ABC should remain free of commercials and sponsorship.

Any sale would include the disposal of Radio Australia, the overseas radio arm, the outsourcing of programme production and the sale of the ABC's A\$300m-plus (\$231m) GLOBAL RE

Belgacom.

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property portiolio. Mr Bob Mansfield, former managing director of John airfax, the Australian newspaper group, who led the inquiry, said that if these strategies were followed ABC could continue to deliver existing domestic services within government funding levels and without significant downgrading of content.

"I believe in the general community the key element of trust in the independence of the ABC is based around the fact that it does not have advertising or sponsorship involved," he said.

Malaysia multimedia move

Malaysia is drafting five "cyber laws" to regulate what it hopes will become an Asian hub for the multimedia business. Mr Leo Moggie, minister for energy, telecommunications and posts, gave few details yesterday but indicated that the proposed digital signature act would, for instance, give authority to certain, unspecified agencies to recognise digital signatures – a move to facilitate commerce over the Internst.

Dr Mahathir Mohamad, the prime minister, was involved in a week-long roadshow in California this month to promote a "multimedia super corridor", a lanned 750 sq km zone near Kuala Lumpur which Malaysia hopes to transform into an industrial park for

cutting-edge information technology husinesse While in California Dr Mahathir chaired the first meeting of a 30-member international advisory panel which includes the chief executives of Microsoft, IBM, Sony, Oracle. Apple Computer, Sun Microsystems, Compaq, Siemens, Nippon Telephone and Telegraph, Motorola, Netscape and others. James Kynge, Singapore

Sri Lanka call charges up

Sri Lanka has announced sharp increases in telephone call charges and connection fees in the run-up to privatising the country's main telecommunications company. Domestic tariffs and monthly subscriptions will be increased by an average of 25 per cent from February, the government said. International calls to 27 countries will be lowered marginally, but will be offset by an increase in the tax rate from 20 per cent to 25 per cent.

The government is on the verge of selling a 35 per cent stake in Sri Lanka Telecom, the main phone company in the country with just over 225,000 direct exchange lines, to a foreign investor.

Officials said that the government's privatisation body. the Public Enterprise Reform Commission (Perc), asked Sri Lanka Telecom to raise tariffs before selling off the company to avoid criticism of the sell-off plan.

Mr Rajan Asirwatham, head of Perc, resigned last month following allegations of mishandling in the sale of the country's gas distribution monopoly to the Anglo-Dutch company Shell which raised prices by 20 per

How Hanbo treasure turned to dust

means Korea Treasure, has turned out to be a terrible misnomer. The bankruptcy of one of South Korea's largest conglomerates threatens to shake the country's fragile financial system and further damage the unpopular administration of President

Kim Young-sam with allega-

tions of corruption. Hanbo's collapse also exposes key structural faults of the Korean economy, with the government supporting ambitious investments in doubtful industrial projects that result in production overcapacity, heavily indebted companies and a weak banking sector.

The rise and fall of Hanbo shows that nothing has really changed in Korea despite all the talk of economic reform," said Mr Richard Samuelson, branch manager of SBC Warburg

Securities in Seoul. There are also worries that other highly geared industrial groups are in danger of collapse if the Korean economy continues to slow. Hanbo was a classic prod-

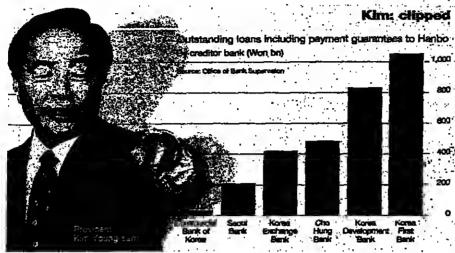
uct of the state-driven industrialisation programme of Established in 1974 by 6 former tax official, Mr Chung Tai-soo, as a con-

struction company, Hanbo

grew rapidly as its founder

used his government con-

tacts to acquire scarce capi-



state-controlled banking sec-

Like many Korean conglomerates, or chaebol, without conducting a feasi-Hanbo expanded into other bility study of the steel projunrelated businesses, acquiring a steel company in 1939. a pharmaceutical company in 1993 and a mutual savings and finance company in 1994. It joined a Russian natural gas project last year. Hanbo's decision in 1993 to

build the world's fifth largest steel mill proved to be its undoing. Costs for the project escalated from Won2,700bn to Won5,700bn (\$3.16hn to \$6.67hn), while steel demand proved sluggish. The debt/equity ratio of Hanho Steel, which had a shareholder equity of only Won315bn, soared to 1,600

What has puzzled analysts is why Hanbo's main creditor hanks lent Wnn5,000hn ect and withnut securing adequate collateral for the

Government restrictions on excessive lending to the chaebol were ignored. Officials of Korean banks

said they were willing to lend to Hanbo because they believed the steel project had strong government support. Among the chief lenders was the state-run Korea Development Bank, which bas financed much of Korea's industrialisation.

Moreover, Hanbo established close relations with its main creditor bank, Korea First Bank. When the

1995 bankruptcy of a big construction company Youone threatened to raise Korea First's amount of non-performing loans and cut earnings, Hanbo acquired Youone to reduce the bank's

Opposition parties, however, claim the Kim administration exerted pressure on the banks to provide the loans to Hanbo in return for illegal political donations by Hanbo to the ruling party. Mr Chung, the Hanho founder, has twice been con-

victed on corruption charges involving the administration of former President Rob Taewoo, although the latest sentence was quashed last year by an appeals court on technical grounds.

"There is little doubt that

John Burton Consumer finance loans ontstanding reached Y75,000bn (\$630bn) in 1994 against total disposable

Thailand backtracks on bank auction plan

By Ted Bardacke in Bangkok

Thailand's central bank bas postponed indefinitely the auction of a controlling stake in the troubled Bangkok Bank of Commerce (BBoC) in a significant reversal of policy. Instead, the bank will take on about \$2bn in bad debt and hire outside managers to run the midsize commercial bank as a government-owned institution, bank offi-

The decision to shoulder the burment last month by Mr Amnnay - a politically unpalatable move.

said 51 per cent of BBoC would be sold to the highest bidder in the first quarter of this year.

BBoC was taken over by the Thai government last year after financial setbacks under the former management nearly bankrupted the bank. The central bank, which found

failed in that mission, with prospecden of nearly two-thirds of BBoC's tive bidders saying they would offer bad debt and keep it in government only token sums unless the governhands backtracks on an announce- ment cleaned up the loan situation

The plan now is for the central bnt central bank officials said it bank's financial institution rescue fund to issue Bt30b.o (\$1.1b.o) in eight-year hills of exchange paying 12.5 per cent annual interest and give them to BBoC in exchange for

Bt50bn of its worst performing debt. The central bank's rescue fund mittee currently running the bank was nearly emptied already by is expected to be disbanded by itself with 65 per cent of BBoC, has BBoC but under this scheme the March and to be replaced by a pro-been at a loss over bow to sell the central bank will have to make only fessional management team. bank without first using taxpayers' interest payments for another eight money to clean it np. Apparently it years. To recover some of those costs, it will seize and liq.oidate BBoC shares and collateral worth Bt2.78bn beld by the former man-

The idea of the auction remains from Bt35.5bn.

would .oot take place until BBoC was profitable again, enabling the government to recover some of the funds needed to repay the Bt30bn dne in 2006.

The government controlling comfessional management team.

BBoC will be left with about Bi20bn in bad loans, for which it will create a new company to be charged with collecting and asset disposal, while the bank's registered capital will be lowered to Bt15.5bn

borrowing from non-bank

Mr Kenji Utsunomiya, a Tokyo lawyer, believes 1m-1.5m people with multiple loans could face bankruptcy. INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

cent in six months. Amal Javasinahe, Colombo

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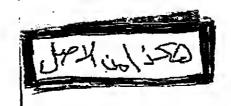
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1987	105.6	100.7	103.9	97.5	76.1	101.3	92.5	103.1	100.0	122.8	100.1	95.0	107.9	107.1	110
1985	109,9	103.2	105.9	89.4	71.0	102.4	92.3	107.9	96.0	131.0	101.4	96.2	112.6	106.9	108
989	1152	108.5	109.9	101.4	74.9	105.1	94.2	114.0	96.8	123.5	104.2	99.3	117.1	108.0	107
1990	121.5	113.6	113.5	104.0	73.2	108.4	95.7	120.1	99.7	108.2	107.0	101.0	123.5	110.3	109
1991	126.5	116.3	117.3	107.3	74.1	111.6	95.6	124,2	103.6	113,2	110.9	103.4	131.3	109.6	107
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1995	141.7	122.2	129.7	105.6	68.9	116.2	92.6	128.4	118.5	137.9	125.1	105.7	150.8	112.0	110
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993	125.6	101.6	133.5	118.1	101.9	153.9	128.7	161.6	136.7	109.9	148.4	131.5	173.1	130.5	101.1
994	127.7	102.7	135.9		101.4	160.0	133.5	167.0	137.6	96.2 94.2	148.7 152.4	138.7	180.8	130.A	63.
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une	23	11.4	17,2	П.Д. П.Д.	101.5 101.5	4,3 3.9	1.3	2.0	n.a.	103.5	2,2	2,8	4.0	4.2	927.8
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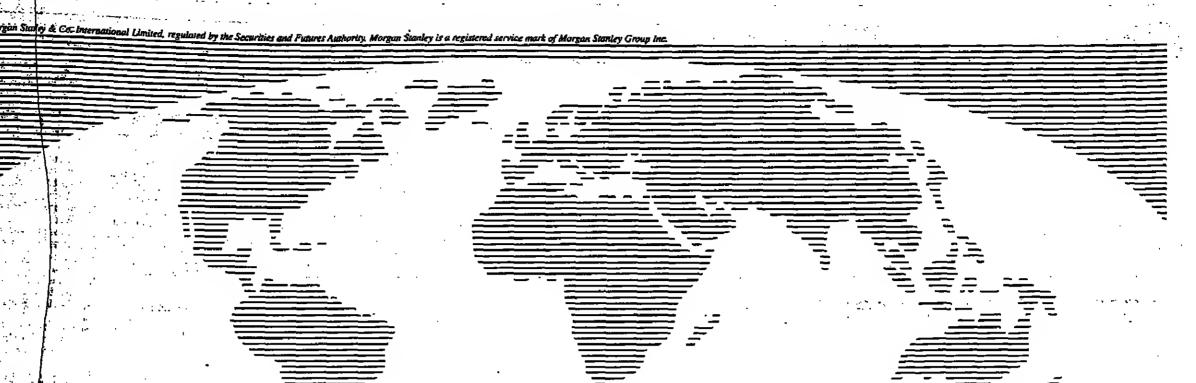
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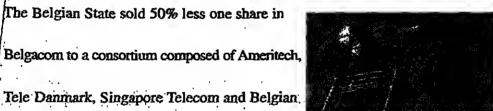
IN-DEPTH CAPABILITIES

LOCAL INSIGHT

INDUSTRY EXPERTISE TELECOM

Belgacom, Belgium

The Belgian State sold 50% less one share in Belgacom to a consortium composed of Ameritech,



financial investors. This sale was the outcome of the strategic consolidation of

Belgacom, in which we acted as financial advisor to The Belgian State.

COLT, UK

COLT Telecom Group PLC — a provider of competitive local telecommunications services -- raised \$314 million to help fund its European expansion. We acted as sole global coordinator and joint sponsor, completing the first-ever

simultaneous initial public and high yield offerings for a European company.

Telecom Eireann, Ireland

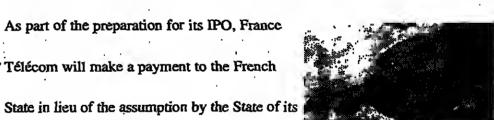
The Irish State sold up to a 35% shareholding in Telecom Eireann to a consortium of the Dutch



financial advisor to the Irish State, assisting in the negotiations to align its interests with those of Telecom Eireann and the consortium.

France Télécom, France

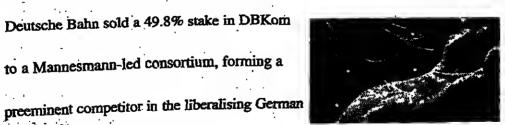
As part of the preparation for its IPO, France Télécom will make a payment to the French



employees' pension liabilities. We acted as financial advisor to France Télécom, providing in-depth capital structure analysis and telecom industry expertise.

Deutsche Bahn, Germany

Deutsche Bahn sold a 49.8% stake in DBKom to a Mannesmann-led consortium, forming a



telecom market. We acted as financial advisor to Deutsche Bahn, using our advisory experience in complex transactions in the global telecom industry.

Ionica, UK

In order to raise \$150 million for the first fixed wireless local loop operator in the world, we acted as sponsor and bookrunner for its issue



of high yield units, completing the offering in a marketplace where comparable issues were postponed.

Campaign is boosted by commendations from big Japanese manufacturing companies

Trade union woos inward investors

The AEEU engineering and electrical workers' trade union is seeking to attract further inward investment by publicising the success of agreements it has made with companies which have already opened factories in the UK. The AEEU is Britain's biggest man-

ufacturing trade union.

The union yesterday launched e glossy booklet containing glowing endorsements of the union's role from executives at manufacturers euch as Nissan, Sony, Toyote, Bosch and Electrolux.

The AEEU has signed more than 200 single-union agreements since the 1980s, most of them with inward investors. The booklet is available in Japanese, Korean and German, as well as English. It will

Brussels to

target bane

company in its recruitment policy was settled yesterday when agreement was reached with the Transport and General Workers Umon. The issue, centred on the the company's Dagenham plant in east London, was about to go before an industrial tribunal, Robert Taylor

Eight Asian and Afro-Caribbean production workers, who com-plained they had been denied jobs among the elite £30,000-a-year (\$50,000) fleet truck drivers, have received compensation for "burt cent of the truck drivers.

be translated into any other and Labour [the main opposition required language. Mr Ken Jackson, general secretary of the rightwing union, said: "There is a new mood in the country. The unions

A conflict over alleged racial feelings" of several thonsand discrimination by the Ford car pounds each. But there is now the growing threat of inter-union strife at the plant as 300 white drivers are believed to have left the TGWU to join the small United

Road Transport Union. In a joint statement Ford and the TGWU said they had agreed "a selection and training procedure that fully complied with the company's equal opportunities policy". Union officials have claimed that nearly balf the workers at the plant are from ethnic minorities compared with fewer than 2 per

party] can work very effectively with big British companies." Those quoted include Mr Toshiro

Omori, managing director of Sharp

Manufacturing, the Japanese electronics group. He says: "The AEEU can help a company become establisbed in an area, and we are pleased to be in partnership with

Nissan Motor Manufacturing UK. which last week announced the expansion of its manufacturing site at Sunderland, in north-east England, says: "We believed the AEEU was the union that was committed to our philosophy of team-working, flexibility, single status and an absolute dedication to qual-

ity. That belief has been fulfilled." Mr Jackson said: "Partnership is the order of the day. As a union, the AEEU can be of great help to a company - and industry chiefs are no longer afraid to say so. When we invited them to contribute a piece to our brochure, which is being distributed worldwide, every

single one of them readily agreed." Mr Jackson said the prospect of a Labour government, combine with continuing growth and increasing skills shortages, meant his union would be ectively recruiting - and targeting companies such as Honda, the Japanese motor manufacturer, which has so far not recognised unions at Its plant in south-west England.

The single-union agreement signed with Coca-Cola Schweppes shows how the union is prepared to accommodata management. It states: "To ensure the fullest use of plant, equipment, vehicles and manpower, there will be complete flexibility and mobility of employ-ees within their capabilities and as required by the company." Sony UK says: "We have a long-

standing, positive and amicable

of exporters Bad debts are 'particularly worrying' in France and Italy

wins an order to Italy.

Wins an order to Italy.

Mr Phil Tandy, pricing export meat to Italy. Good news, surely - unless the Italian company does not

In theory, the exporter could sue for the debt. But Italian lawyer and going to According to the UK's an Italian court. in practice, Forum of Private Business, an Italian court. in practice, according to a European Union official, "90 per cent of the involces of a typical companies selling in the EU. small British company are

Now the European Commission is trying to tackle the issue of bad debt. Member states have until Decemenforce payment on time, based on an EU recommendation two years ago. After December, e directive may

A survey by NCM Credit tricky to do it over the tele-insurance showed this phone in Italian. month that late payment is a growing problem in Europe. The value of exports to the NCM's customers last year. One NCM customer in five has now lost money because an EU company did not pay.
Bad debts are "particularly cent above the central bank

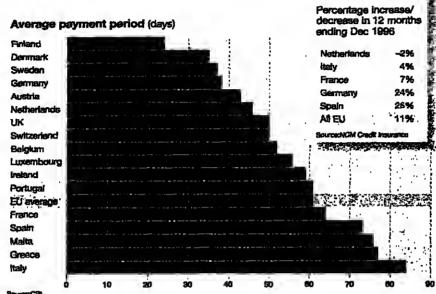
small UK company worrying" in France and

manager at NCM, names textiles, meat and fish as some of the most notorious sectors. Weak European economies are largely responsible this would entail hiring an for the growing delays. fear of not being paid is the single biggest barrier to UK

Brussels recognises that exports produce the biggest headaches for companies all over Europe, It says payment deleys on foreign sales are typically 20 per cent to ber to take measures to 30 per cent longer than for trade within e company's bome country. It is time-consuming for e UK business to march into a Turin office and demand payment - and

The laws that Brussels is now commending are mainly Scandinevian. Sweden and EU affected by deleys Finland, says the EU official, increased 11 per cent for are "the countries with the best legislation" on late payment. in Sweden, any com-

Late payment: bad and getting worse



rate. The UK and the Irish Republic are the only EU payers. The everage pey-states without a statutory ment period in the UK is 50 states without a statutory right to interest, although in many countries this right is virtually moribund. The Commission has also recommended faster and simpler court procedures,

Brussels is seeking sim-llar laws in every country, so that a UK company selling to Italy knows its rights there, However, according to the

EU official, UK companies are slow to pay, Last year's British Standard on prompt payment is a voluntary code.
"It is a relatively weak instrument, but better than nothing," the official says. UK companies appear to Businesses. So will the UK

be among the more prompt days, better than the EU's 61 days and Italy's 84. But when British companies do

pay late, they are often very

late. A study by Intrum Jus-

titie, the debt collection

agency, shows that e disproportionate number of them delay paying, to save money. Mr Tandy says: "If you asked our colleagues in Amsterdam about their experiences, they would probably say the UK is one of their worst European payment

interest, though it would apply only to businesses over a certain size. But on areas." Late payment this issue, at least, Labour, eccounted for 5,000 of the the largest British opposi-40,000 small UK companies tion party, appears closest to the Brussels mood. that failed in 1995, according to the Federation of Small

Simon Kuper

listen to Brussels end

in power," says Mr Jon Ain-

ger, senior policy adviser in

the small and medium enter-

prise unit of the Confedera-

tion of British Industry, the

The governing Conserva-

tive party prefers a volun-

tary regime. But Mr Tony

Blair, leader of the Labour

party, has pledged to intro-

duce a statutory right to

main employers' lobby.

The key is which party is

change its payment laws?

Nation high in league for Banks 'still need adopting EU social laws

By Caroline Southey in Brussels

The UK ranks among the top four EU countries for putting into place laws on social policy, according to a league table to be published by the European Commission today. Britain, along they gave everybody a hard with Sweden, Germany and Denmark, has transleted 96 per cent of 50 EU directives covering labour law, equal treetment and bealth and safety into national law. Only Finland does better with a 100 per cent record.

EU officials said Britain's record was surprising, given its government's strong opposition to social legisla- warn that the Commission member states ignition from Brussels. The UK will be targeting countries pean court rulings.

has an opt-out from the EU that fail to implement social social chapter and recently songbt to bave the EU's working time directive struck down by the Euro-

pean Court of Justice.
"The evidence shows the UK has been swift to implement the laws, even though time before their adoption." an EU official said. The country with the

worst performance is Spain, which bas transposed 36 of the 50 directives, followed closely by Italy, Belgium, Greece and Portugal.

Mr Padraig Flynn, Europeen Commissioner for social policy, will today

legislation, particularly directives relating to bealth

and safety in the workplace. He will say that the Commission will be quick to refer infringement cases to the European court, pointing out that three cases are pending against the Republlc of Ireland, Belgium and Spain. Mr Flynn will also say that member states are now open to fines if the Commission is forced to take them to court for a secand time on infringement charges. The Commission this month announced a system of financial penelties which will come into force if member states ignore Euro-

branch networks

By George Graham, Banking Correspondent

Banks will continue to need their branch networks in spite of the edvance of new distribution channels such as the telephone and the personal computer, says a study by KPMG, the consultancy

in a survey of 45 leading banks in six countries. KPMG found that although some trimming of branch networks is planned over the next five years, most expect little or no reduction in the volume of financial transactions bandled by their but it won't be a wholesale

slaughter," said Mr Phillp Middleton, partner in charge of banking strategy et

Research carried out for KPMG by NOP, the opinion polling group, found that many bank customers were still very reluctant to use newer channels to deal with

NOP found that 40 per cent of consumers said they would definitely not use a PC or interactive television to obtain financial product information, and 25 per cent would not use a casb machine. One in five sald tbey would definitely not branches. "Branch numbers telephone a bank operator, will continue to decrease, but only 13 per cent would refuse to telephone a branch.

relationship with the union." **Parades**

NI anger

The government is set to marches in Northern

Ministers have decided, in survival in the House of

The move is likely to increase bostility among nationalists in Northern Ireland. Relations have yet to recover following last July's decision by the North-ern Ireland police to permit a march by the flercely Protestant Orange Order through a Roman Catholic estate in the small town of

Drumcree. Dr North will publish his 250-page report in Belfast on Thursday. It is expected to suggest a five-strong tribunal and a statutory code of conduct for parades. Ministers said the broad thrust of the recommendations would be welcomed, but that further consultation would be

"Some smaller bits we could live with, but there's no way we can be rushed into something so controversial as a tribunal," a senior member of the government said yesterday. "If there is e solntlon, it can only be found in the long-term."

Unionists from Northern

independent rather than to go public. The basic aim for

Dyson is to be a product

development company plan-

Even though executives in

the white goods industry

might bave their doubts

about some of Mr Dyson's

visions, they share his think-

ing that he is right to want

to broaden out his product

range. "At the moment he

has o one-product company

which is bound to be very

vulnerable," says one com-

ning for the long term.

move may provoke

By John Kampfner, Chief Political

relect a proposal for crosscommunity commissions to adjudicate on sectarian

effect, to reject the main proposal of an independent report by Dr Peter North. vice-chancellor of Oxford University, for fear of antagonising pro-British "unionist" MPs from Northern Ireland. The government now depends on them for

The proposal would anger pro-British politicians from Northern Ireland on the grounds that it would give the government of the Republic of Ireland a say in Northern Ireland affairs. Under the 1985 Anglo-Irish agreement. the republic's government would be entitled to nominate candidates to public bodies.

Ireland bave warned Britisb ministers that they might bring the UK government down over what they would see as a de facto veto for nationalists over Protestant

UK NEWS DIGEST

TV channel chief to quit

Mr Michael Grade, the chief executive if Channel 4, is to are necome crane, the tane exactly a called a so step down this year to pursue other pasiness interests, the television channel's board amounted last night. Channel 4 is part of the terrestrial connercial television network and is thought to be a possible candidate for privatisation if the governing Conservative party wins the

coming general election.

Mr Grade said last year he would light to the last breath in my body" against the privatation of the channel. Sir Michael Bishop, chairman of hannel 4, said: Michael Grade has told me he wishe to leave the television industry and pursue his other b iness interests. Since 1988, Michael has directed Chanel 4 with skill, determination and style."

QUEEN'S YACHT

Former premier attack ministers

Sir Edward Heath, Conservative primeninister from 1970-74, yesterday attacked the way theresent Conservative government had announced a £60m(\$100m) replacement for the royal yacht Britannia. He sid the behaviour of ministers had been "not honourable" Labour, the biggest opposition party, warned at the wetend that if it won the coming general election it woul not provide the cash from public funds. The 44-year-old issel hosts the royal family on visits outside Britain ands used for offi-

Sir Edward said on BBC Radio that it wald be a mistake for the Conservatives to include a plage to fund a replacement Britannia out of public mone in the election manifesto. Sir David Steel, former leader (the centrist Liberal party, said: "It is certainly very folish to involve the royal family in a political row." Editorial Coment, Page 17

ROYAL AIR FORCE

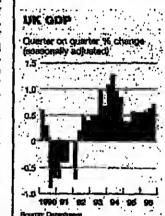
US transport planes prefrred

The Royal Air Force is pushing the UK defece ministry to lease six large C-17 US transport aircrafto help move. heavy equipment for the new British rapid eployment force. McDonnell Douglas - which makes the newly-designed, jet-powered C-17 - has submitted amusolicited proposal to the ministry on the costs of leasing the aircraft. But the ministry is unlikely to make ay early decision on its military transporter needs until her in the year, when the future of the European Futur Large Aircraft becomes clearer.

France and Germany are discussing how tonance the Sho development cost of the FLA, which is saller than the C-17 and powered by slower turboprop enges. In 1994 Britain said it would join the FLA programe, provided it was commercially managed by Airburndustrie and built to a fixed cost. But the programme h since run into difficulties because of cuts in the Frein and . German defence budgets.

The RAF, which has never wanted the FLA. llobbying to buy a small number of C-17s, as well as replang its smaller Hercules transporters with a new versit of the Lockheed C-130J Hercules. The RAF is already placing 25 of its Hercules with the new C-130J and will red to replace the other half of its fleet from 2004. If the LA isto meet that timetable, development would have start this year. If the project collapses, however, serior consideration may be given to the C-17.

■ THE ECONOMY Growth at fastest rate for 2 years



UK accelerated to Itsastest rate for two yearat the end of 1996. Gross doestic product grew by a semially-adjusted 0.8 per out between the third ar fourth quarters, the Oice for National Statistics aid yesterday. Excluding c and gas extraction, the economy grew by 0.7 pc cent in the fourth quarr. unchanged on the preceing quarter. This is sligily above the long-term tref. rate of around 0.6 per cer a quarter and suggests th expansion is continuing t

Economic growth inhe

nibble away at any spare capacity left in the economy. The economy has now grown by more than 12 per cent of this basis since the trough of the last recession almost five years ago. Mr Kenneth Clarke, the chief finance minister, said yesterday that the economy had gone "from strength to strength" in 1996 and that the outlook for 1997

■ MANUFACTURING

Skills shortage bites in heartland

A shortage of skilled workers in the UK's industrial heart land is causing employers to suffer their worst recruitment difficulties for more than six years. Manufacturing and services employers in the west Midlands say the task of recruiting staff for skilled and semi-skilled jobs has become harder in the past three months. Employers in Birmingham, the second largest city in England, blame the labour shortage on a combination of factors including a poorly-motivated workforce and the benefits trap, in . which wage levels are too low to make it financially worthwhile to leave state benefits.

According to Birmingham Chamber of Commerce - tha UK'a biggest chamber, representing more than 5,000 employers - 48 per cent of manufacturers reported recruitment difficulties last month, compared with 38 per cent at the same time last year.

EQUALITY

Pay gap wider for managers

The pay gap between men and women in managerial positions is wider than in professional occupations as a whole, according to the Equal Opportunities Commission. It says female bank managers earn 36 per cent less than their male colleagues, while for general administrators and managers the gap is 42 per cent. Women secondary teachers fare better, with a gap in the hourly rate of earnings of just over 10 per cent. Women in professional positions earn between 80 per cent and 90 per cent of their male colleagues, pay. Women in sales and craft occupations earn only 20 per cent of relatives. only 70 per cent of male earnings. Just as the pay gap, varies between occupations, the EOC says it also varies between sectors. The gap is much narrower in the public sector, where women sain 80 per cent of men's weekly earnings, than in the private sector, where they earn only

Succe

ELECTRONICS

Sumitomo to expand Welsh plant

Sumitomo Electric Europe of Japan is to create more than 80 jobs in a £2.8m (\$4.7m) expansion of its plant at Port Talbot, south Wales. The company will make cables for electronic appliance manufacturers in mainland Europe. The expansion is being grant aided by the government's Weish Office.

Small-town innovator defies appliance giants Maker of revolutionary vacuum cleaner has assembled research team to design washing machines

southern England, one of L the country's fastest growing manufacturing companies is planning an assault on the world's domestic

appliance industry.

Dyson Appliances, based in the quiet country town of the Royal College of Art. Malmesbury 120km west of London, has in four years sbot to annual sales of £100m (\$167m) by inventing a revolutionary type of vac-

Mr James Dyson, the company's founder and chairman, has assembled a 60-

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mainly comprising people in their 20s, to spearhead his development push into new product areas. Washing machines are among his targets. Mr Dyson, a 49-year-old who trained as a designer at says his research team is washing machine that will outperform existing prod-

He is unimpressed by the world's biggest white goods companies, including Elec-US, and Matsushita of Japan. "The domestic appliance industry is dominated by multinational companies which all know what their rivals are doing and which have no interest in coming out with new technologies that upset the status quo," he says. "In principle, of the main companies in the today's washing mechines are very much the same as

strong research group, invented. The whole area of mainly comprising people in domestic appliances is ripe for technological innovation

Dyson Appliances is responsible for every seventh vacuum cleaner sold in based on a unique design which dispenses with a bag, looking at new types of collecting dust in a plastic container through centrifugal force With a new design that

banishes the conventional innovation record of the dust collection bag and picks up dirt using a novel airswirl system, the Dyson "upright" cleaner (it also trolux of Sweden, General "upright" cleaner (it also Electric and Whirlpool of the sells a "cylinder" product based on the same princl-ples) is the higgest selling vacuum cleaner in the UK. In the past year, roughly 400,000 of his machines have been sold, out of total sales

of 3m worth about 2300m at retall prices. Taking into

account the different brands

market. Dyson is the third-

biggest supplier of vacuum

when they were first cleaners in Britain in unit



terms, and the higgest in

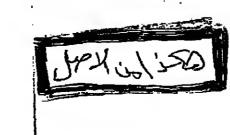
About 15 per cent of within three years Mr Dyson wants this figure to reach 70 per cent. He reckons there is

the Bensiux countries. Mr his company and be says he has no plans to bring ln other shareholders or to go public. The company has no sizeable bank loans and, he particular potential in profits at around 20 per cent Japan, France, Germany and of turnover. "It would be

Mr Ernst-Uwe Hanneck, UK managing director at Bosch-Siemens Heusgeräte, the German company that is Europe's second-biggest maker of appliances, says: "Mr Dyson's ambitions are not going to give me sleep-less nights. Wasbing machines are a very settled market and you would need to be a genius to come up with something new."

mercial rival.

Peter Marsh



Mar. Lan.

BROWN CHEST

preferred

Manager and the second

MAN A POLICE
MAN A

Sun Microsystems. Our strength is networking people. From the very beginning, we've been bundling networking capabilities into every system we self. With a range of innovative products and services, from Java" to high-end server systems and powerful microprocessors to the Solaris operating environment, we offer a breadth of solutions to meet any enterprise computing need. No matter how diverse. So wherever and however your people need information to be successful. Sun is there to help them- and you -not just get the advantage, but also get ahead. For more information, contact us at http://www.sun.com/ THE NETWORK IS THE COMPUTER** microsystems

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A source of high energy

their mouth prised open for a dental X-ray, but bring up the aubject of would be left with their jaws

hanging.
Yet these high-energy "soft" (or long wavelength) X-rays are pusbing researchers towards technological advances in radiology, pharmacology and microfabrication. If the X-rays in the dental surgery are like a light bulb, radiating weakly in all directions, these are a million times brighter and are tightly focused like a laser.

X-rays have brought enormous benefits to medical and dental patients over the past century. But there has not been very much progress in how X-rays are produced since Wilhelm Conrad Röntgen first discovered them 100 years ago, says Giorgio Margaritondo, experimental co-ordinator for the \$200m Elettra Synchrotron Laboratory outside Trieste.

in conventional X-ray production, electrons generated from a beated metal wire use alternating voltage to bombard a metal strip diameter, with beamlines workable microcomputers caps-mounted inside a vacuum tuhe. squeezed out from the centre of hie of gauging surrounding tem-

electron beams into X-rays. Unfortunstely, no matter how the tube is modified. X-rays are emitted in all directions, says Margaritondo. Most medical X-ray applications still use the Röntgen technology, so have to be shielded.

The approach taken by the Elettra laboratory is different. Electrons (charged elementary particles) are injected from a 100m tuhe into a 400m stainless steel ring and circulate at the speed of light in an almost perfect vacuum. Left to themselves they would move in a straight line, but a system of magnets bends their path, causing them to lose radiation or X-rays, which can normally be continuously emitted for 24 hours.

Because of the high energy pro-

duced by the process (2.4 giga electron volts or 100m times the energy of a nine-volt flashlight battery) and greater accuracy in controlling the beam. Elettra'a brightness is equal to that of the interior of a burning Saturn V rocket nozzle. The main X-ray beam is several centimetres in

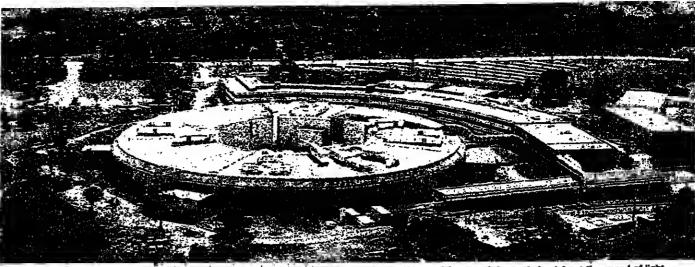
ring wall. As a result, a beamline can be focused to a dimension one hundred times less than the thickness of a hair follicle. Nine Elettra, with three more planned by the end of this year.

With such focus and sensitivity, radiology could be taken to whole new levels. Low-radiation mammography at doses five to 10 times lower than at present would give women the option to have more frequent examinations for breast cancer.

Soft X-rays will also dispose of

the need for risky heart catheter-

isations in angiography (or radio logical detection of coronary disease). Instead of requiring iodine to be shot straight into the heart, only a peripheral injection would be needed to get the same results. By applying soft X-rays to the fast-growing field of microfabrication, with aynchrotron X-ray lithography an entire mould for a micro-turbine could be made with an accuracy of 1,000th of a millimetre. Such extremely small mechanical objects integrated with electronics could create workable microcomputers caps-



re electrons are injected into a 400m stainless steel ring and circul

perature, gas composition, and ometers and engine pressure sen-

Microfabrication applications include intelligent pills, whereby a microdoser inside an implantable capsule would make decisions on when to release medicine by easuring the level of pathogens in the bloodstream. "Several bio-medical industries already have interesting prototypes of implantable drug delivery microsystems with some intelligent part on board," says Francesco De Bona, a mechanical engineer at the University of Udine in Italy.

"But the near future will focus on integrating microfabrication ses with microelectronics to obtain already existing devices at lower prices and increased reliability - as has already occurred with automotive air bag acceler-

Soft X-rays can also be used in crystallography for pbarmaceutical development, since their wavelengths are close to the inter-atomic distances between molecules and solids. Because the X rays can be used to examine such minnte distances, the pharmaceutical industry can carry ont its searches for new interactive drug mechanisms on a more fundamental level.

Electrospectroscopy offers yet another medical application where soft X-rays can be sharply focused locally to view synapses of the hrain. This would give researchers a snapsbot of the brain's chemical make-up, enabling researchers to know

having on a brain cell at a level of one 10,000th of a micron. The new X-ray technology is

already being applied on a day-to-day basis in the microfabrication of micro-filters and in connectors for optic fibres. But while applications for mammography are only three to four years away, other medical applications are unlikely to be available for another 10 years or more. Margaritondo eventually expects to see regional synchrotron radiation medical centres at about one fourth the size of Elettra for a cost of \$30m-\$40m.

Meanwhile, a fourth generation synchrotron reactor is already being planned for a site just outside Geneva with one characteristic that has never been present what impact a contaminant is in X-rays before - coherence.

This is an optical characteristic making it possible to have diffraction (spreading or bending) similar to a laser. Two Swiss research groups, the Swiss Insti-tutes of Technologies and ths Paul-Scherrer Institute, are cosponsoring the project. If the Swiss parliament gives the expected go-ahead this spring, the SFr159m (\$120m) Swiss Light Source (SLS) should begin operating with five beamlines by 2001.

"SLS will bring about improvements in brilliance and coherence that will facilitate experiments in X-ray holography and more profound structural analysis," says Bruno Reihl, SLS's head of experimental infrastructure. "It will also have a brightness equal to about 80 per cent of the surface of the sun."

This year's main conference on Aids research, which took place in Washington over the weekend, has produced powerful new evidence that drug combinations offer the best prospect of beating HIV, the virus that causes the disease.

Scientists reported encouraging results from many different clinical trials, involving two-way and three-way combinations of antiviral drngs. The fast-motating HIV finds it far barder to evolve resistance to drog cocktails than to single compounds such as AZT.

The trials show that combinalevels of HIV in a patient's bloodstream by 97 per cent to 99 per cent. A triple cocktail may work even better, reducing ths viral level to below the limit

Trials support HIV drug combinations

Clive Cookson on the encouraging results presented to an Aids research conference

There are two main classes of anti-HIV drug, which work by blocking different enzymes in the virus. Reverse transcriptase inhibitors such as AZT came first; they stop HIV replicating itself. Protease inhibitors such as Merck's Crixivan, which are now reaching the market, inter-The trials show that combina-tions of two drugs can cut the life cycle; they prevent the maturing of new virus particles that have just "budded off" a

Results presented at the Wasbington Conference on Retrovi-

\$1.5m

ruses and Opportunistic Infections show that combinations of drugs from the same category for example two reverse transcriptase inhibitors such as Glaxo Wellcome's 3TC with Bristol-Myers Squibb's d4T - are very effective.

When drugs from different classes are combined, the results may be even more impressive. One promising pairing involves two experimental drugs designed by Vertex of tha US and developed by Glaxo: 141W94 (protease inhibitor) and 1592U89 (reverse transcriptase inhibitor).

that with so many possible comhinations on the market - and lots more in development - it is different stages of HIV

Yet there is evidence that the order in which patients take drug combinations has an important impact on the development of infection.

For example, one study reported in Washington found that d4T plus 3TC was effective as initial therapy but worked

The problem for doctors is less well if used after AZT plus 3TC. In general, drug combinations work better on people who have not received any previous impossible to know which drugs anti-MIV drugs - who are "treat-to use on particular patients at ment naive", in pharmaceutical

> Glaxo yesterday announced a research programme with Affymetrix, a Californian company in which it has a 34 per cent stake, to improve the clinical management of HIV and Aids. The goal is to tailor treatment regimens to the pattern of resistance mutations within the

Scientists from the two companies will begin building a database that correlates genetic information on HIV with the virus's sensitivity to different drugs and to the patient's clinical experience.

If this proves successful, they will expand the programme to collect data from tens of thousands of patients with HIV who are currently being treated with a wide range of

The project is an application of Affymetrix's GeneChip technology, which consists of DNA

probe arrays on a chip, instraments to analyse tha results and software to process genetic information. "This will be a third stage in the development of tools to guide patient management, says Brendan Larder, a Glaxo HIV researcher.

"The first was to use CD4 cell counts, and now we use viral load assays. Next, we want to track genetic mutations in the

Many clinicians believe that with good management tools; they will be able to control HIV infection - and prevent indefinitely the development of fuli-scale Aids - with combinations of two drugs.

Three-way combinations, which are a nightmare for the patient, would only be used in exceptional circumstances.

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Ministère de l'Économie, des Finances et du Plan, Chargé de la Prospective Comité de Privatisation

APPEL DE CANDIDATURES POUR LA MISE EN CONCES DU CHEMIN DE FER CONGO-OCEAN

Conformément à la loi 21/34 pursunt Loi-Cadre sur la Privatisation, son additif et ses decress d'application, le Gouverpeurent de République du Congo a décidé de conceder l'explointion du Chemin de Fer Congo-Océan (CFCO) à un opérateur privé, duns le cad d'une concession commerciale d'une dovée minimum de vingt aus. Il a reteru les services de CPCS International Liée pour l'appoyer du

Le CFCO

Le CFCO comprends principalement la ligne à voie métrique unique qui relie Pointe-Noire à Brazzaville (510 km) et une ligne à voie métrique de Mont Bélo à Miliota (285 km) En 1995, le CFCO a transporté 714,000 T de frez (266 millions de T-km) et 1,2 millions de voyageurs (302 millions de V-km). L'exploitation ferrovisire est actuellement confide à un établissement public, qui acra mis est aquionne à l'entrée en vigueur de la concession.

La Société concustos La Societé concessionnaire exploitera les services de transport ferrovinire et se chargera de l'entretien (et si besoin est de sa toise en état n'estable), du renouvellement et du développement du pare de matériel ferrovinire nécessaire à l'exploitation, ainsi que la remise en état, le l'entretien et du renouvellement des infinstructures.

La mise en concession seza mende par appel à la concorrence intermationale. Dans une première éxape (préquatification), le gouvernante resiendes un ensemble d'entreprotes ou consortia désireux de devente, individuellement ou en groupement l'actionnaire de référence de l future Société concessionnaire et rempitssant les critères de base suivants:

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Il n'est pas requis qu'un candidat rempisse à lai seul tous ces critères. L'actionnaire de référence pourra être composé de sociétais distinctes comprenant certarus des candidats préqualifiés et d'autres partenuires éventuels, chacan d'entre eux remplissent un ou plusieurs critères, le groupement actionnaire de référence devra les remplis nous. Dans une seconde étape (sélection technique), les préqualifiés remettront une offre technique centrée sur un projet de plan d'entreprise. Le gouvernement retiendux les offres techniques considérées comme acceptables. Dans une trusisteme et dernière étape (adiention financière), les candidats retiendux les offres précédente présentent une offre financière sur la base du ou des critères de chois financière définis dans le dousier d'appel d'offres. Le candidat ayant fiels l'entres le maillante une chois comme actionneme de réference.

Un dosser de préqualification a été préparé confermant des informations detaillées sur le CFCO, l'économie congolaise, la procédure de mise en concession et les informations à produire pour la préqualification. Pour obtenir ce dossier, les intéresses doivent en faire le demande par écrit à l'adresse indiquée plus les, par la poste, le télécopieur ou le courrier électronique. Le coin du dossier est fixé à 20 SUS, on l'équivalent dans une natre devune convertible, payable par chèque libellé su nous du Secretarist du Consie de Privatisation. Republique du Congo. Le dossier de prégutatification ne sera envoyé any demandeurs qu'après reception de ce palement.

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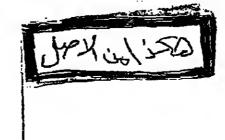
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TRESOLVED THAT Christopher D. Johnson and Ahm J. Davies of P.O. Box 219. Bamerfield House, George Town, Grand Chyman, British West tadies, be appointed Joint Liquidation for the purposes of winding up the Company and that either of them shall have the power to act alone in the winding up. " the winding up." NOTICE is bereby given that creditors of the above named company are required, on or before February 21, 1997, to send full particulars of their debts or claims to

(a default thereof they will be excluded from the bestells of any distribution made before such debts are approved.

Daniel this 24th day of January, 1997. Alem J. Davie Joint Liquidate P.O. Box 219 George Town Grand Cayman Fex.; (345) 949-4590

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Council duties unlawful



The European Economic Area (EEA) agreement was acrutinised hy the Court of First instance in a COURT recent judg-

ment, in which it held that duties imposed by the Council of the European Union on imports of gearhoxes produced hy General Motors Austria were unlawful.

The duties were imposed hy way of a Council regulation which entered into force on the day of its publication in the Official Journal. Although dated December 31 1993, the relevant journal was not published until January 11 1994.

Between those two dates. the EEA agreement, which applied to Austria, had come into effect. The regulation imposing the duties was adopted under the EC-Austria Free Trade Agreement, which applied prior to the EEA agreement.

The reason given for withdrawing the concessions was that General Motors Austria had received unlawful state aid for the production of the gearhoxes. The company hrought an action against the Council, alleging that it had acted unlawfully in adopting the relevant regulation hy hreaching the provisions of the EEA agreement.

The first issue examined by the Court was whether the Council had acted in bad faith hy promulgating the regulation which, although not unlawful at the time of lts adoption, would he shortly thereafter.

The Court said that the cil had infringed the appliprinciple of good faith was a rule of customary international law whose existence was recognised by the international Court of Justice and therefore was hinding on the EU. The principle of good faith was the public international law corollary of the principle of the protection of legitimate expectations, which formed part of the EU

legal order. in a situation in which the date of entry into force of an international agreement was known hy the EU, the Court

ruled that traders could rely on the principle of legitimate expectations in order to challenge the adoption of an act which was contrary to the provisiona of the internatlonal agreement, even

came into force after the act was actually adopted. The issue was whether the imposition of the duties was in hreach of the provision. An issue arose as to whether the provision should he interpreted in the same way as the corresponding rules in the Treaty of Roma or whether it should be interpreted differently.

though such provisions

Although hig differences existed between the treaty and EEA agreement, the Court found that the similarities were such that the provision should be interpreted in conformity with the relevant jurisprudence relating to the treaty. That jurisprudence made clear the prohihition on cuatoms duties even when of a fiscal nature,

as in this case. The Court rejected the Council's argument that the duties did not constitute a duty hut rather a safeguard measure which did not fall

within the EEA provision. It found that the measure constituted a pecuniary charge imposed unilaterally by the EU on the gearboxes by reason of the fact that they crossed a frontier.

Consequently, it constituted at the very least a measure of equivalent effect to a customs duty within the meaning of the EEA provision and therefore, by adopting the regulation in hreach of such provisions, the Councant's legitimate expecta-

The Court also found that hy creating a situation in which two contradictory systems of law would exist. the Council infringed the principle of legal certainty. The Court therefore annulled the regulation.

T-115/94: Opel Austria GmbH v Council, CFI 4CH, January

BRICK COURT CHAMBERS.

Amer brings in

Amer, the Finnish sporting goods group, has brought in two outsiders to senior executive positions as it works to recover from a period of losses and structural upheaval.

new blood

Pekka Paalanne is moving from Kone, the big Finnish lift maker. where he is currently in charge of corporate control hased in Brussels, to become chief financial officer and second in rank to Roger Talermo, Amer's chief executive. Paalanne succeeds Karl Mietti-

nen, who is leaving Amer after a controversial period during which he survived a public disagreement with Talermo's predecessor - who was auhsequently fired hy the board. At the same time, Uero Alperi is to leave Merita Bank, where he headed risk management and corporate finance, to head Amer's corporate planning and strategic supervision.

The two newcomers join Amer, the world's second largest sporting goods supplier, as it aims to reach hreak-even this year after weak sales in its main product lines pushed the group into loss in 1996. Hugh Carnegy. Stockholm Cayman exchange

The Cayman Islands government has appointed Anthony Travers, a aenior partner with Maples & Calder, one of the islands' largest

law firms, to be chairman of the council of its new stock exchange. The exchange came into legal existence at the start of this year. and David Carrad, a US lawver who is acting chief executive, hopes its first listings will be in place by the end of March.

The impetus for its creation came from the realisation that many offshore mntual funds registered in Cayman were being forced to look to Dublin for a formal stock exchange listing, which some investors, especially in Japan. require.

Carrad, who is currently looking for applications from lawyers and banks to he recognised listing agents, believes the exchange will also be used for some Eurobond trading as well as for special purpose collateralised securities. A handful of local companies may also seek a listing. "Mntual funds are not the only thing wa are going to do, hut I think it is entirely fair to say that if there were no offshore mutual funds on Cayman,

the exchange would not have been set up," he says. George Graham, London

INTERNATIONAL PEOPLE

Japanese first



conservative, male-dominated world of Japanese publishing. Yoshimori began her career with the publishing house in 1959 on the editorial side of operations. She rose to executive management in 1988 after being chief editor of two leading womens' magazines in the

In Japan, gaining chief-editor status alone is regarded as an achievement for a woman, as many prominent womens' magazines are edited hy men. Yoshimori was credited with the success of the two magazines, and gained a reputation for strong management akills and what her close associates describe as a "workaholic nature".

managing director of the company and now rises to president. She is new magazine for professional Jap- pany. nese women, due to launch in March.

Gwen Robinson, Tokyo

Novartis US chief



Novartis, which was formed at the end of last year by the merger of Ciba and Sandoz, has had some difficulty filling the US top slot, which accounts for close to a third of the gronp'a \$13hn worldwide turnover. Mark Pulido, head of Sandoz's US pharmaceutical husiness, left to become chief operating officer of McKesson Corporation, and James Callahan, his opposite number at Ciba, opted for early

retirement. Yetter has worked on the sales and marketing sides of Pfizer and Merck, two of the biggest US drugs

executive and Harry Quint

chairman and chief

chairman and chief

executive of Canada's

as vice-chairman. Powis was

Noranda mining group until

1995. Caron was previously

In 1995, she was appointed senior companies, and for the last five years has headed the US joint venture between Merck and Astra, a now overseeing the creation of a Swedish pharmaceuticals com-

William Hall, Zurich

Water ton

William Paci

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INTERNATION.

ARTS

■ AMSTERDAM

mods.

0015

Telefónica fresh face

The newest of the new faces in tha revamped management board of Telafonica, the Spanish telecoms group, is 34-year-old Fernando Ahril Hernández, moving from JP Morgan's Spanish office as director of corporate finance. He takes up the post just before the company'a final privatisation issue, with the state set to sell its remaining 21 per cent stake in a \$4.4bn global offer-

ing next month. Abril, whose father was a centrist economy minister and deputy prime minister in the early post-Franco years, is the third top executive to have been hired from a US bank by Juan Villalonga, the Telefónica chairman appointed by the government last year. The finance post has been vacant since November, when Francisco Mochón moved to the group's international side with particular responsibility for new husiness in Asia.

David White, Madrid internet-only bookstore headquartered in Seattle. Randy Zwirn, 43, rises to president of WESTING-HOUSE ELECTRIC's power generation husiness unit. succeeding Frank Bakos, who is retiring. ■ Richard Drouin, a former chairman and chief executive of Hydro Quebec. has been appointed vice-chairman of MORGAN STANLEY CANADA. ■ Tom Minner rises to chief executive of GNB TECHNOLOGIES, the US subsidiary of Australia's Pacific Dunlop. ■ Thomas Lagow, 55, executive vice-president of marketing at USAIR, has resigned. He joined the company in 1992 from United

Airlines. Alois Sonnenmoser is promoted to aucceed Edwin Somm as president and chief executive of ABB

Switzerland from April L.

International.

Set fax to fine.

ON THE MOVE

■ Mieko Nishimizu, 48. will become the WORLD BANK'a highest-ranking Japanese career staff member on Fehruary 1, when she succeeds Joseph Wood as regional vice-president for South Asia Wood joins the president's office as senior adviser, while Jean-Michel Severino becomes regional

vice-president for East Asia and the Pacific, succeeding Russ Cheethan, who is retiring. Antonio Urdinola, head of the Colombian privatisation board Fogafin, becomes president of Ecopetrol, the state-run oil company and top national foreign exchange earner. He

succeeds Luis Bernardo Florez, who joins the board of Colombia's central bank. **■** Charles de Queljoe has resigned as president of LIPPO Pacific Finances, part of the Indonesian conglomerate, but remains president of Lippo Securities.

Jean François Lepetit,

former deputy chairman of Banque Indosuez, has been appointed adviser to the chairman of BANQUE NATIONALE DE PARIS and BRUSSELS | takes a place on the general

management committee. ■ Helen Isaacson joins MARVEL COMICS GROUP from Turner Home Entertainment, as executive vice-president, worldwide

licensing. ■ Geert van Maaner director general for the hudget at the Dutch finance ministry, joins the supervisory board of BANK NÉOERLANDSE GEMEENTEN, the municipal finance hody, He succeeds Pieter Stek who recently joined the World Bank, Louise Engering also joins the supervisory board, succeeding Frank de Greve, now state secretary for social services and

employment. ■ Scott Greer has resigned as president and chief operating officer of ECHLIN. the US vehicle parts maker. Frederick Mancheski. chairman and chief executive, takes operating responsibilities for the time heing.

HSBC INVESTMENT BANKING from Daewoo Securities as director of corporate finance and equity capital markets for HSBC's Seoul branch. ■ Goh Chee Wee, a former government minister,

becomes managing director

Kyungsup Song joins

Singapore'a largest taxi operator. He replaces Sam Chong Keen who joins Malaysia's Lion Group. ■ Cedric Prouve succeeds Patrick Bousquet-Chavanne as vice-president/general manager - travel retailing a ESTEE LAUDER INTERNATIONAL Bousquet-Chavanne returns to France as director general international operations at CHRISTIAN OIOR. ■ Petr Budinsky, vice-general director of Komercni Banka, succeeds Richard Salzman, the bank's general director, on the board of the PRAGUE STOCK EXCHANGE. Budinsky also succeeds Vladislav Pavlat, who has resigned for health reasons, as chairman of the

of COMFORT GROUP,

exchange'a trading committee. ■ Laura Kendall has been appointed chief financial officer of FOOO LION, the US supermarket chain. Ekkamol Khiriwat, former deputy governor of the BANK OF THAILAND, has been appointed to the central bank board, replacing Sumet Tantivejkul. ■ Victoria Cotten, 42, takes the new position of senior vice-president, purchasing, at INGRAM MICRO, the US

OEUTSCH MORGAN GRENFELL from BZW, as Hong Kong-based head of China research. Victor Kwok joined the company as head of Hong Kong research on January 1 from SBC Warhurg.
■ Dominique Gardy, 45, managing director oil at SHELL France, becomes vice-president of Shell in the US and is succeeded in France by Iain Everingham. ■ Andrew Patti, executive vice-president of AMERITECH, the US telecoms group, has resigned for personal reasons and will be replaced by Barry Allen. Thomas Richards succeeds Allen as executive vice-president of communications and information products, and is himself replaced by Wharton "Zie" Rivers Jr. ■ Paul Liska, president and chief executive of Speciality Foods Corporation, has been appointed executive vice-president and chief financial officer of the ST.

PAUL COMPANIES, the US

property-casualty insurer.

chairman of EDEN ROC

president and chief

■ Alfred Powis is appointed

MINERAL, Mario Caron as

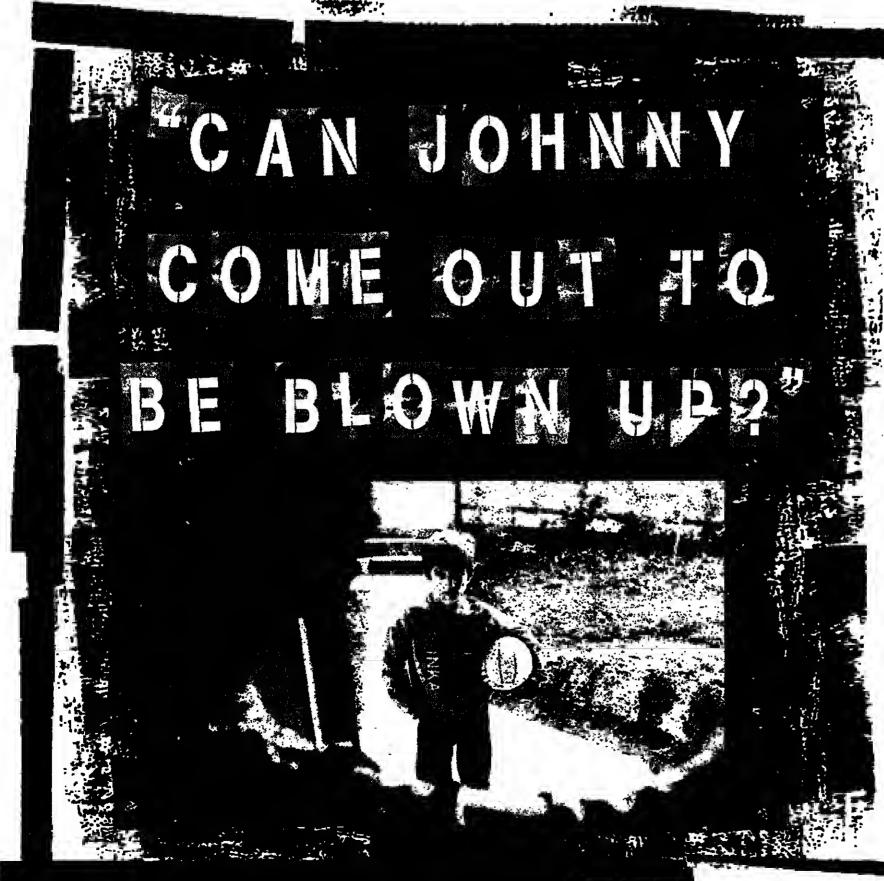
computer and distribution

■ Lawrence Ang joins

company.

executive of MSV Resources ■ Michael May, president of SITEL, the tele-marketing company, becomes group chief executive. He inherits the role from James Lynch, Sitel's founder, who remains chairman. Phillip Clough. currently with investment banking firm Alex Brown & Sons, is the group's new president. Francis Tiong, chief executive of Rimbunan Hijau, a Malaysian logging company that huys 80 per cent of Papua New Guinea's log exports, has joined the board of PNG's National Forest Authority. ■ Janet Clark has been appointed vice-president and chief financial officer of SANTA FE ENERGY RESOURCES, the US oil and gas company. She succeeds Graham Whaling, who has become chairman and chief executive of Monterey Resources, a Santa Fe subsidiary. ■ Scott Cook, co-founder and chairman of intuit Software, joins the board of AMAZON.COM, the

appointments Please fax information on new appointments and retirements to +44 171 873 3926, markedfor International People.



Parents in Bosnia would no sooner let a child go out and play than let them get into a car with a complete stranger.

Because, about 10 children a week are being killed ar maimed by the 4 milliee unexploded land mines ie the former Yuqoslavia.

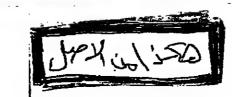
Which is why at Children in Crisis, we are creating safe play areas, where children can ran, climb and play sports, without coming to any barm. But to endortake this task, we need your belp. It costs £1 to buy a mine, but up to £500, to clear one. If only it was as expensive to destray lives as it was to safeguard thom. you may not be reading this).

Defortunately though, our work doesn't end ia Besaia. la fact, it bes been estimated that for every child ee the planet, there is een one lass mins. No wooder that oven in countries where pauco hes been restored, we'd rather keep diggies up the past, than forget it.

To allew us to continue our work, please fill in the conson and make a denation. (For only £18 per child, we can create a safe play areal.

"Can Johnny come out to play?" See, while yaor woney may ant be able to change the werld, it could very well ebeage ear beadline.

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ARTS

Attitude rather than talent

William Packer reviews 'Belladonna' at the ICA

for the Deadly Nightshade, and carries with it all that plant's ambiguity of presence and meaning, at once seductive and deadly. For from it comes the drug atropine, that was long valued as a cosmetic, aspecially in Italy, in full knowledge of its poison. And as Lempriere tells us, "Atropus" is the eldest of the Fates, "inexora-ble and inflexible, (whose) duty among the three sisters is to cut the thread of life, without any regard to sex, age or quality." Even today, such are the imperatives of Vanity, to risk Death for Beauty is not unknown.

Belladonna, the exhibition now at the ICA, clearly aspires to live as dangerously, though the preoccupations of the selectors would appear to be less with external beauty than with other, more private side-effects -"difficulty in speaking, flushed skin, rapid beartbeat and dilated pupils, and neu-rological disturbances including excitement, giddiness, delirium and hallucinations" runs the list of symp-

It is, we are told, an international show "for the fin de siècle, excessive, decadent, irrational, intoxicating." Well, hope springs eternal but, with this farrago of work from some 29 artists. most of them young and modish, no luck this time. Though some of the work does go back to the 1960s. the rationale is evidently very much of the moment. the justification never set in through the key-hole: "all formal terms but always in those of idea and effect. How the trouble.

he title of Sofia

Gnbaidulina's new

Impromptu, which

the Deutsche Kam-

nary, the Kammerphilhar-monie's director Gidon Kre-curious chromatic thoughts,

Schuhert-based pieces like harmonies and unmoored

merphilharmonie Bremen

played at the Barbican last

week, proved to signify not a

light, occasional piece, but

an organised fantasy that

starts from Schubert's much-

loved Impromptu in A-flat.

For tha Schubert bicente-

monie's director Gidon Kre-

mer (he also plays violin)

has commissioned several

this ona - not that anybody

is likely to compose any-

Actually her Impromptu is

a mini-concerto (17 minutes)

for Kremer's violin and Irena

Grafenauer's flute. At regu-

lar intervals the flute pro-

nounces Schubert's familiar

downward-fluttering arpeg-

thing "like" Gubaidulina.

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elladonna, liter-ally "Fair Lady". is another name surprising it is, for example, to find Bridget Riley in this company, and with the one company, and with the one truly beautiful canvas in the show, a simple lateral wave motif in red, white and green, dating from 1967. And yet how unsurprising, for were it not for the palpahle optical effect for which her work has always been superficially notorious, with its sensation of actual dizzying movement, it would hardly have been included.

For the rest we have little more than an incoherent array of latterday reworking of old narrative, dadaist and surrealist ideas, Individual items are diverting enough. and even persuasive in themselves. Paul Thek's darkly sardonic objects from - s set of pink false teeth with grey striped gums, and an horribly gungy drink in a tall glass - more Punk than Pop, get us off to a goodish start. And Kerry Stewart's free-standing grey cape (1996), in open homage to Magritte, does have an authentic sculptural pres-

ut in truth the tone of self-consciousness and pretension is set at the door. There, chained to the barrier, is Elizabeth Wright's racing bike (1996), larger than life. "Each nut, bolt, gear and sticker", so we are told, breath bated, "has been obsessively replicated and enlarged by exactly 135 per Round the corner Andreas cent." I don't know about Kursky shows another large obsession, but I do know what Gulley Jimson said of carpet (1993), and Annika farting "Annie Laurie" very clever, but is it worth sitting guard over a

gio, the motto of his piano-

plece - in several variants,

but never with its continua-

tion: it remains a frozen, iso-

lated object. Around and

while the string orcbestra

seethes gently between tonal

ones. All this is delicately

measured and punctuated.

quite formal bot strangely

suggestive: I want to hear it

The Emperor String Quar-tet - dicey label, but it did

win the important Evian

Competition in 1995 - com-

'Girl is Growing Up' by Paul de Reus. An amusing toy that sums up the show: diverting, crude and empty-headed Liza May Post, a young (1995). So much for the self-taught artist, he lived Dutch artist, shows us a disturbing, dangerous effects of Belladonna. More like sbort video of a tonsured girl sitting and warming her long legs before a fire in the middle of the floor. She also shows two colour photographs, rendered important only by their size, of a man lifting up a woman, a commonplace of academic narra-

Concerts in London/David Murray

New music, old favourites

concise new quartet, and

played it in the Wigmore

Hall last week. It alternates

two quirky "machine" move-

ments with two elegiac ones,

concluding with a hrief, choked fifth. Quintessential

Woolrich, if on a slighter

scale than his imposing

Oboe Concerto at last year's

Proms: transparent. wryly

sweet with decorous airs,

playing damurely betwaen

tonality and innocent,

uncomplicated serialism. It

is a gift to quartet-programmes, far too often bob-

bled to the meat-and-pota-

toas, three-solid-quartets

portance of such things that is disturbing. Here is Kareo Kilimnik, with a group of small canvases of eye-numbing banality and ineptitude. perfunctorlly-restating tive, and another of a pale images from magazines and girl palely staring out of a pale window (all 1994). older art that was infinitely better done (1995). The proposition yet again is taken for the resolution, and what the photo of an expanse of grey artist now could never do is mocked, and that mockery von Hausswolf one of an glibly excused as irony and Alsatian on a misty beach, aesthetic subversion.

It is the posturing self-im-

Next we have Dick Bengts-

The Emperor players were

immortal clarinet quintet,

answering to Andrew Web-ster's notably besutiful, judi-

cious playing in the solo

n Beethoven's F minor

quartet they were force-

they swallowed too

many syllables in dotted-note passages, and left some

important harmonic junc-

tures under-emphasised. The

tunes in Wolf's Italian Sere-

at their best in Mozart's rhythms were - well,

tish, but they needed a through Graham Johnson's

robust, snappy rhythmic indulgently protracted pia-

Shakespeare. Directed by lan

Judge, performed by the Roval

Hamilton and Katia Caballero;

The Homecoming: by Pinter.

Directed by Roger Michell. The

cast includes David Bradley, Sam

Kelly and Michael Sheen; 7.30pm;

Jan 30, 31; Feb 1 (also 2.15pm)

■ LOS ANGELES

Art Tel: 1-213-857-6000

Los Angeles County Museum of

Ancient Art from the Shumei

Family Collection: this exhibition

features over 290 works of art

from a broad geographical area,

Egypt and Greece. Highlights

from the collection include an

Including China, Afghanistan, Iran,

inlaid silver image of the Egyptian

god Horus, a gold vessel adorned with heads of bulls from the

Marlik region of Iran, a gilt-bronze

and jade Chinese pendant from

Persian ceramics and a rare late

16th century islamic carpet; to

the 3rd-2nd century BC, a

■ NEW YORK

conductor Christoph von

selection of 12th-13th century

7pm; Jan 31 Lyttelton Theatre Tel:

EXHIBITION

44-171-9210631

Shakespeare Company. The cast

includes Joseph Fiennes, Victoria

market ... and ironically falsely age (sic) his work." Well, well. He reminds us that "nature is never inno- her long hair flies out. It is cent: that the solid security an amusing toy that is yet of a Swedish church . . . is an the image of the whole show image which masks less palatable historical truths, particularly his country's complicity during World War Two." I like the "particularly". Here obviously was a temporary Arts, The Mall most profound, issue-ad- SW1, until April 12: spon-

background: the Emperor

English, too wan and inver-

A year ago, I wrote

warmly here about Wolfgang

Holzmair's Schubert at tha

Wigmore: no side, mucb

arming baritone full of

assiduously illustrated by

extravagant band-gestures

and soulful facial expres-

nean homage.

deep in the Swedisb country-

side, but hated landscape so

much that he painted it from

photographs in magazines

(1970s). It shows. He also

hated "the bourgeois art woodeo figure of a little girl used a faker's patina to in a grey frock. She has oo

serious and thus significant artist of onr times. Ham-fisted too? It doesn't

matter. Attitude is every-

Upstairs is Paul de Reus's

face, but we hardly notice as her bead spins so fast and diverting, crude, pseudo-pro-found, empty-headed, ultimately tedious.

Belladonna: Institute of Con-

no-postludes: not a good

A singer can impersonate the young miller-lad of Schubert's Schöne Müllerin throughout the cycle, hnt Wolf's Goethe settings are too ripely sophisticated and ironical to be represented in one visible persona. It's the tebrate to do justice to words that matter, because Wolf's rollicking Mediterra-Wolf knew how to set them off with such deep musical cunning.

They were diminished here by Holzmair's "expressive" antics, which looked ful and ingenious, but musicianship, a natural, dis- like the frantic efforts of a signer-for-the-deaf. Probably Affekt. On Tuesday ba sang his recent acclaim in Amer-26 of Wolf's Goethe settings, ica, facing audieoces who mostly know nothing of German Lieder, bas driven him to those excesses; hnt be

David Murray "54-46", the Abyssinian's Alexander. I can't wait.

Theatre/Sarah Hemming

Getting physical

its name to Thoughtful and expose the vanity and Gathering, or some soch. physicality of all perfor-But, as it is, the name suits mance. admirably.

This is a company for whom the term "physical fourstrong cast - two girls, theatre" could have been invented: its members career about the stage, they hurl dramatic dialogues segue themselves against the into dance routines and walls, they dash themselves monologues, generally featonto the ground in frenetic displays of high impact cboreograpby. Little wonder thet, at one point in its new show, one of the company divulges that the question most often asked of them in the bar after the show is "do you have bruises?" Along with other compa-

nies, such as Volcano theatre company, the Swansea based Frantic Assembly use this energetic, almost reckless style to express its view of a bruising world. It last visited BAC in November last year, with Klub. a similarly frenetic piece, which examined the attraction of clubbing for young people and coupled a club atmosphere with monologues from the cast exploring the lonaliness and alienatioo of a jobless generation. This time its show is called Flesh and, as you might expect, there is plenty of the same on view, plus some handcuffing, gyrating and wildly suggestive choreography.

But the company's themes are, again, loneliness and exploitation. Any titillation is constantly undercut with reminders of the sordid nature of the numerous sex trades and teasing is kept modest by relatively chaste silk boxer shorts. The actors February 16 (0171 223 2223).

resumably if Frantic play wittily with the idea Assembly ever that the audience has stages a quiet, medibought them, and all they tative show, the have to offer, for the evencompany will have to change ing, and they both exploit The show's structure is

similar to that of Khub. The two guys - bounce from one sequence to another: short uring writer Spencer Hazel's self-conscious, but entertaining wordplay. Again, as in Klub, there are microphones on either side of the stage which one or other of the cast will seize from time to time to take control of the show, and, as in Klub, the performers blur fact and fic tion in confessions about their lives which may or not be true - s tactic often used to good effect by Nigel Charnock, another physical performer who pays little heed to his personal safety.

matter, there is a ity about the com pany that is extremely hard to resist. All four performers Korina Biggs, Cait Davis. Scott Graham and Steven Hoggart - are disciplined and appealing, and through out, the show is witty, seductive and attractively selfmocking. The company might be better devising an entirely different format for its next piece, but that aside, this is a young company with plenty to say and a refreshingly direct way of saying it.

At BAC, London SW11 to

Jazz/Garry Booth

Rooted in the rhythm

ne of the surprise "Satta Massagana" and jazz hits of 1996 Augustus Pablo's "King was guitarist Tubby Meets..." is distilled Ernle Ranglin's down to its essence. Rockalbum Below The Bassline. steady drum and booming Surprising not because wide acclaim is undeserved, but

has waited so long for it.

Jamaica born and bred, Ranglin is a veteran of the Caribbean jazz and reggae scene. An arranger and session man with Studio One, the pioneering ska label. Ranglin was behind the first worldwide reggae hit, Millie's "My Boy Lollipop". Later be worked with Bob Marley, and continued to run his own small straightahead jazz groups, in Jamaica and the US.

because 64-year-old Ranglin

Below The Bassline, which provided tha set list for a Jazz Café last week, brings it all together. A mixture of buhhling reggae grooves and breezy jazz melodies, Ranglin's sound is irresistible. The material, covers of dread classics like Toots'

(acoustic) bass provide gentle low frequency momentum while guitar and piano trill a top line.

Ranglin, who plays fast with a stiff pick or thumb, chips off his notes bright and pristine, and flares chords with a flourish. If the same phrases are sometimes repeated and his clucking harmonics on the neck is a much-used device, it is because this is jazz-reggae and aimed as much at the feet as the head. Bass player Ira Coleman, too, strikes the right balance between bypnotic timekeeping and solo interludes which unravel the brief residency at London's rbythm with witty quotes from "Eleanor Rigby", for

> example. Island Jamalca Jazz has promised to put Ranglin and Coleman back together in the studio, possibly with Jamaican pianist Monty



AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-6718345 Beaux Arts Trio: perform works by Mozart, Brahms and

Beethoven; 8.15pm; Jan 29

ATHENS CONCERT

Athens Concert Hall Tel: 30-1-7282333

 Orchestre Revolutionnaire et Romantique: with conductor John Eliot Gardiner and the Monteverdi Choir perform works by Schubert and Schumann. Part of the Schubert cycle; 8.30pm; Jan 30,

BALTIMORE

EXHIBITION Baltimore Museum of Art Tel: 1-410-396-6300

 Art of the Baga: A Drama of Cultural Reinvention: exhibition examining the artistic legacy of the peoples known as Baga,

occupying a narrow stretch of lowland along the Atlantic coast of the Republic of Guinea, West Africa. On display are over 100 objects including masks, ceremonial sculpture and everyday household items; from Jan 29 to Apr 13

missioned John Woolrich's formula

DANCE

■ BERLIN Staatsoper Unter den Linden

Tel: 49-30-20354438 Le Concours: a choreography by Maurice Béjart to music by Le Bars performed by the Staatsopemballett; 7.30pm; Jan 30: Feb 1 (7pm)

EXHIBITION Das Beuhaus-Archiv, Museum für Gestaltung Tel: 49-30-25400278 Otto Bartning und die

Bauhochschule Weimar 1926 -1930: exhibition devoted to the Bauhochschule Weimar, the Weimar successor of the Bauhaus when this teaching Institution for the arts moved to Dessau. The Bauhochschule was led by architect Otto Bartning. Other teachers included Ernst Neufert, Erich Dieckmann, Otto Lindig, Wilhelm Wagenfeld, Ewald Dülberg, Hedwig Heckemann and Cornelius van Eesteren; to Feb 23

OPERA Staatsoper Unter den Linden

Tel: 49-30-20354438 Zar und Zimmermann: by Lortzing. Conducted by Asher Fisch, performed by the Staatsoper Unter den Linden. Soloists include Jake Gardner and THEATRE

Pär Lindskog; 7pm; Jan 29

DUBLIN CONCERT

■ HAMBURG

EXHIBITION Museum für Kunst und Gewerbe Tel: 49-40-24862732 Lissabon - Hamburg.
 Fayenceimport für den Norden: exhibition featuring utensils produced in Lisbon workshops in the period 1620-1680 and

OPERA

 Das Mädchen mit den Conducted by Lothar Zagrosek, Soloists include Sarah Leonard. Melanie Walz and Anna Karger;

CONCERT

Barbican Theatre Tel: 44-171-6384141 Troilus and Cressida: by

National Concert Hall Tel: 353-1-8711888 Michael Collins and Friends: perform works by Rossini and Mozart. Part of the bicentenary of the birth of Schubert celebration; 8pm; Feb 1

exported to Hamburg; to Feb 7

Hamburgische Staatsoper Tel: 49-40-351721

Schwefelhölzem: by Lachenmann. performed by the Hamburg Oper. 7.30pm; Jan 29, 30, 31; Feb 1, 2

■ LONDON

St Martin-in-the-Fields Church Tel: 44-171-9300089 Natasa Liposevek and Nora. Farkas: the planist and the violinist perform works by Mozart and Beethoven; 1.05pm; Jan 31

CONCERT Carnegie Hall Tel: 1-212-247-7800 The Cleveland Orchestra: with

Feb 9

nade were charmingly skit- sions, often held all the way should stop it at once.

Dohnányi and baritone Olaf Bär

perform works by Schubert and

Roadworks: Photographs by

pedestrians, garish billboards and

backstage tedium are among the

road trips between the late 1960s

views from Linda McCartney's

Blue Note Tel: 1-212-475-8592

Moody Quartet: performance by

Parker. Thelonius Monk and the

Metropolitan Opera House Tel:

Mascagni/Leoncavallo. Conducted

by Simone Young, performed by

the Metropolitan Opera. Soloists

include Barbara Dever, Kristján

Holloque; 8pm; Jan 29; Feb 1

Salle Gaveau Tel: 33-1 49 53 05

Rosamonde Quartet: perform

works by Beethoven, Bartók and

Debussy; 8.30pm; Jan 29

Jóhannsson and Elizabeth

Metropolitan Opera: by

1-212-362-6000

PARIS

CONCERT

Modern Jazz Quartet; 9pm &

11.30pm; Jan 29, 30, 31; Feb

the vibraphonist who's worked

with Dizzy Gillespie, Charlie

Milt Jackson Quartet & James

Mahier, 8pm; Jan 30

Photography Tel:

1-212-860-1777

International Center of

Linda McCartney: fleeting

landscapes, anonymous

into the 1990s; to Feb 9

EXHIBITION

L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99 The Sleeping Beauty: conducted by Simone Young, perform Cavalleria Rusticana by Mascagni and Pagliacci by

■ SAN FRANCISCO

Barbara Dever, Kristján

Jóhannsson and Elizabeth

Holloque; 2.30pm & 8pm; Feb 1

CONCERT Louise M. Davies Symphony Hall Tel: 1-415-864-6000 San Francisco Symphony: with conductor Hugh Wolff and vlolinist Boris Belkin perform works by Debussy/Kemis, Schubert and R. Strauss; 8pm; Jan 29, 30, 31

■ THESSALONIKI EXHIBITION

Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6 Exhibition of the Velimezi Collection: exhibition of Byzantine icons from the 15th, 16th, 17th and 18th centuries, on display for the first time after restoration in the workshops of the Benaki Museum. The exhibition is at the Museum of Byzantine Culture; from Jan 29 to Apr 15

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10.00 European Money Wheel

18.00

Financial Times Business Tonight



Martin Wolf

level of contributions.

between 1995 and 2050

cent in France and 13.7 per

cent in Germany. Else-

wbsra, it would be mucb

lower. There is no evident

Canada and even Japan

should be unable to sustain

needed contribution rates.

ason wby the UK, the US,

Continental European

countries are in a different

position bscause of the

impact of high contribution

rates on the cost of labour

and returns to work. In the

case of Italy, for example,

contributions were 43 per

As % of GDF

The burden of public pensions

Mind the pensions gap

Contribution rates must be raised soon if the pay-as-you-go schemes of most leading industrialised countries are to be put on a sustainable footing

Residents of high-income cent in Germany, 3.8 per countries can watch events cent in Japan, 4.3 per cent in Albania with detachment. In their countries, pyramid in France and 4.5 per cent in finance is illegal. But their politicians are able to oper-Of the Group of Seven leading industrial countries. ate such pyramids. They call them pay-as-yon-go continental Europe, Japan pensions schemes. Pyramid and Canads seem to be in greatest difficulty. Bnt this pensions can work, partly conclusion is misleading. It because everyhody can be forced to join. But their is not just a question of the

Just how is revealed in a paper published at the end of last year by the International Monetary Fund*. Six conclusions emerge.

designers have occasionally

been neither far-sighted nor

• The generosity of public pensions varies bugely. • The cost of public pensions is not a function of demography hut of their generosity.

• The pension systems of the US, Japan, the UK and Canada are sustainable with modest fiscal effort. The systems of France. Italy and Germany are

shakier because their high

contributions have adverse

effects on employment. The ratio of dependants to workers is not explained by demograpby alone but also hy people's behaviour. • The costs of public pensions cannot be assesaed independently of those of the social security system.

Start with the ratio of net pension liabilities - the net present value of the difference between the projected pension spending and revenues between 1995 and 2050 to gross domestic product. In 1995, according to the IMF, this was 5 per cent for the UK. 26 per cent for the US, 68 per cent for Canada, 76 per cent for Italy, 107 per cent for Japan, 111 per cent for Germany and 114 per cent for France.

Suppose governments had aimed at stabilising the 1995 public debt ratio and prevented a build up of pension debt. They would have had to tighten fiscal policy by 0.4 per cent of GDP in the UK, 1.3 per cent in Italy, 1.5

against a mere 6.2 per cent in the UK, partly because there were proportionately far fewer contributors in Italy and partly because its system was more generous. By 2050, argues the IMF, the contributions required to maintain the financial balance of the Italian system

will be 68 per cent of the wage hill. change in the contribution rate that needs to be made, Continental lahour marbut of where that leaves the kets are caught in a vicious circle. When taxes on employment are high and Because of differences in generosity, the sustainable social security benefits and contribution rate - the rate provision for early retirethat would leave the net ment generous, only producasset position of the public tive prime-age workers work. The young and the pension system unchanged old choose state-cushioned would be 18.5 per cent of 1995 GDP in Italy, 15.4 per

For this reason, demography gives a misleading picture of the ratio of dependents to potential workers. In Italy, for example, the proportion of people between 55 and 64 not at work in 1995 was 73 per cent while it was 74 per cent of those aged between 15 and 24. Partly as a result, the ratio of Italian contributors to beneficiaries in the public pension scheme was 1.3 in

1995, against 2.7 in the UK and 4.2 in the US. In the UK, by contrast,

Sustainable contribu rate in 1995-2050**

cent of the wage hill in 1995, the proportion out of work was 52 per cent for those over 55, and 46 per cent for those aged under 25. in the US, it was 45 per cent for the older group and 42 per cent for the younger one.

A distinction can be drawn, therefora, hetween relatively cheap public pension systems, with low contribution and high employment rates, and relatively generous ones, with high contributions and low rates of employment. But the contrast can be overdrawn. If in relation to average still larger public debt. incomes, other social security benefits rise to fill the

gap for those who have failed to make adequate provision privately.
Thus, the IMF's forecast decline in the UK's ratio of the average state pension to gross wages - the replacement rstio - from an already low 18 per cent in 1995 to 11 per cent hy 2050 are also reduced does not mean the govern-

Where public pensions are generous, however, topping up will not be needed. In Japan, the replacement could well be enough. ratio is expected to remain around 20 per cent, in the In sum, high-income coun-US between 35 and 40 per tries confront no general cent, in Germany around 50

per cant, in Italy above 50 per cent, and in France 60 per cent. Many continentals are better off in retirement than at work. What should be done? First, current contribution rates are below the sustainable level in every G7 country except the UK. It is

important to close this gap

if countries are to avoid

increases in ratios of public

long-term

its hands of the elderly poor.

debt to GDP. Second, if the result is a short-term build-up of assets in social security funds, these must be separated from the rest of the budget. The aim of raising contribution rates to sustainable levels is to avold high public debt ratios in future. The December 1996).

social security surpluses expand deficits on other

Third, shifting to an sconomy-wide defined contribution system - one in which banefits depend on returns to individual savings ~ is problematic. One difficulty is uncertainty about the resulting pensions. Another is that either the transition generation is asked to pay twice - both for its own pensions and for those of its parents - or the government ends up with a

Finally, the most attractive option is adjustment of the public pension system itself. Links between pensions and increases in wages can be changed; high nefits can be lowered; and retirement ages can be raised, provided the incentives for early retirement

In continental Europe, benefits are so generous that such adjustments must be more sensible than imposing higher taxes on jobs. In other countries, highar contribution rates

pension crisis. But continen tal Europe does face a serious challenga. Its best course would be to reduce the excessive generosity of existing systems rather than scrap them or raise contribution rates. The danger is that, as prospective benefits decline, the pension bargain will look decreasingly attractive to younger workers. These countries do not need an intergenerational fiscal war. Given present tax and benefit levels, it

may be impossible to avoid,

Sheetal K. Chand and Albert Jaeger, Ageing Populations and Public Pension Schemes, Occasional Paper 147 (Washington D.C.: International Monetary Fund,

Pyramid power

John Plender on the attraction of fraudulent investment schemes in eastern Europe

Wall, the peoples of eastern Europa and the former Soviet Union have suffered a virulent plague of pyramid financing. If the violent demonstrations in Albania, scene of the latest outbreak, are exceptional, it is chisfly because of the relative scale of the losses and the poten-

tial political fall-out. Estimates of the sums attracted to the Alhanian pyramid funds are as high as \$1bn, equivalent to 30 per cant of Albania's dismally small gross domestic product. Could the administration of President Sali Berisha be the first modern government to be toppled by a popular outcry against pyramid financing?

Fraudulent pyramid funds differ from conventional banks in that they offer a promise of excessive returns on depositors' money that can only be fulfilled as long as more money is coming in. The schemes usually collapse when the inflow dries up, in which case payments are suspended, or when depositors scent trouble and a run develops.

Like stockmarket bubbles, fraudulent pyramid schemes are most common in developing economies. They are, as much as anything, a symptom of an underdeveloped retail banking system. The question is why countries of the former Soviet. bloc should be so much more prone to the problem than others - especially when the funds in question have

looked so obviously phoney. MMM, the failed Russian fund run by Mr Sergei Mavrodi, did not pretend to have any underlying business The price of the so-called shares was arbitrarily set by Mr Mavrodi, who claimed to have more than 10m "shareholders" before nemesis overtook him in 1994.

As for Caritas, the collapsed Transylvanian fund that attracted about \$1bn from 4m Romanians, its promise of a sevenfold increase in the value of the savers' deposits within 100 days looked, at least by western European stan-

The vulnerability of many of the transition economies of the former Soviet bloc is due to a potent combination of high inflation, declining real incomes and ignorance.

When the Caritas fund stopped paying out in the autumn of 1993, for example, real incomes had fallen by a third over the previous three years, and annual inflation was close to 300 per cent.

The difficulty of finding a stable outlet for savings provides another spur to imprudent behaviour. In Russia, many pension-

srs who were unlucky enough to have left their lifetime nest-egg in the hands of state savings institutions have seen them wiped out. Few trust the banks and there is a widespread fear that a bank account will. attract the attention of the tax man or the mafia. Sound foreign banks are excluded in Russia and elsewhere by protectionist legislation.

Before ths collapss of MMM, Mr Mavrodi offered a seemingly attractive elternative to keeping dollar bills under the bed. Such are the attractions of the dollar, relative to any rouble-hased obligation, that the dollars in circulation in Russia are reckoned by some to match the country's rouble money supply. The amounts under the mattress are now estimated at about \$20bn.

But why, it might be asked, do the politicians allow these fraudulent funds

Few trust the banks and there is widespread fear that a bank account will attract the attention of the

tax man or the mafia

Since the fall of the Berlin darda, manifestly absurd, to burgeon? Partly because they themselves benefit in the early stages. The mayor of Cluj, boms of Caritas. publicly supported the fund and its founder Mr Ion Stoica for understandable, if short-termist, reasons, the cash inflow turned Cluj into

a boom town. Partly it is a case of not being prepared. Before its collapse, MMM was by far the biggest advertissr on Russian television. But until a share-pusher collapses in a post-communist society, regulation against aggressive share-pushing is unlikely to be in place.

In Russia, there was s reluctance to engage in beavy-banded regulation when the pressing need appeared to be to encourage entrepreneurial activity. There was also an enforce ment problem. MMM had broken the law, but was not brought to book until the

Not all of those who risked their savings were doing so on the basis of ignorance Some recognised that being in and ont early was a formula for high returns. That said, people like Mr Mavrodi clearly cast a spell. When he was jailed on charges of tax evasion, some of his shareholders were prepared to go on bunger strike for him.

A spell was also cast when he discovered he could wm immunity from jail if he became an election candidate. By promising to spend \$10m on his constituency, he won a seat in Russia'a duma: (lower bouse) without ever ontting in an appearance there or setting out a political programme.

His story speaks volumes about the easy-money atmosphere and bsightened expectations in modern Russla, where the greenback has replaced the party card as the passport to power and

The tragic consequence of pyramid fraud is that millions have been deprived of their savings. And the consequent distrust of financial instruments and institutionsis an immense obstacle to

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LETTERS TO THE EDITOR

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Translation may be available for letters written in the main international languages.

Korea realistic in changing labour laws

From Professor Jeffrey D. Sachs.

Sir, Contrary to your leader "Korea on trial" (January 22) criticising South Korea's new labour laws, I would suggest that there is something unseemly in the OECD apparently trying to dictate the specifics of labour legislation to South Korea. To be sure, the Korean government has botched up the process of labour law change. It could have done better. At the same time, bowever, the specific pressures that seem to be emanating from the OECD have

been at best unhelpful and most likely quite misguided. Many of the OECD countries, especially in Europe, have made a mess of their own labour practices. After all, it is OECD-Europe, not South Korea, that boasts unemployment rates consistantly above 10 per cent of the labour force, while South Korea has managed to keep unemployment rates below 3 per cent. It is Europe -

through excessive minimum wage standards, overly-protective job security, coddled national trade unions such as IG Metall in Germany,

and bloated social charges that has priced its labour out of the international markets. The Korean government's

much-vilified action of strengthening management flexibility to dismiss workers when economic conditions merit is a realistic response to the global economy that Europe would be wise to pursue as well. Moreover, the several-year delay in introducing multiple unionism in Korea seems plausible

given the risks involved. The international community bas all the right to insist on good international

practices from other coun. tries, especially open trade. It has the right to insist on core human rights. But thereis little wisdom in insisting that other countries should emulate failed policies in : labour relations that are neither justified in theory nor merited on the basis of Europe's own experience...

Jeffrey D. Sachs, director Harvard Institute for International Development, 1 Eliot Street, Cambridge, Massachusetts 02138, US

Subsidy cutback in rural UK's interest

From Mr Richard Butt. Sir. The kite-flying by Franz Fischler, the European Union Commissioner for Agriculture, in favour of further reductions in production-related agriculture subsidies and the creation of an integrated rural development policy ("Seeds of discontent", January 24)

erves support.

Such a policy shift is very much in the UK's interest. Much of British agriculture is capable of competing in world markets without the current level of subsidies: lower food prices would improve the competitiveness of businesses in other sectors of the economy; and diversification of the rural economy has progressed furher in the UK than in most

of the rest of Europe. Mr Fischler's vision makes ense for other member states too. International pressure for further liberalis-

and internal constraints on Common Agricultural Policy expenditure seem sure to accelerate the pace of change in European farming. The best favour European governments can do their rural communities is to encourage the creation of new types of employment in he countryside.

ation of agricultural trade

This is best promoted by facilitating market adjustment - for example, by improving infrastructure and training and reducing barriers to the growth of small businesses. But there is a role, too, for a properly integrated EU rural davelopment policy in place of the present botchpotch of pro-

The cost of such a policy should be significantly less than the potential savings on agricultural subsidies. Rural development policies can be very cost effective.

This commission recently completed some experimental programmes aimed at diversifying the economies of three English areas which are beavily dependent on agriculture.

Some £5m of commission expenditure over three years created substantial benefits, including an estimated 770 continuing jobs, more than 500 full-time and 6,000 part-time training places, 300 childcare places and 13 community facilities.

The UK is well placed to take a leading role in the debate about the future rural policy in the European Union which Mr Fischler is trying to initiate

Richard Butt, chief executive. The Rural Development Commission. Decre House, 19 Dacre Street London SW1H ODH, UK

Undefeated

From Mr Allan Wendt. Sir, Your correspondent in Hanol needs to brush up on . the history of the Vietnam war. in referring to the wartime Ho Chi Minh trail." ("Vietnam plans a Ho Chi Minh highway". January 23), he writes: "The route"... was a critical factor in the defeat of US forces in 1975.".

It is a widespread myth thet US armed forces were "defeated" in Vietnam. Unilateral withdrawal of these forces began in 1968 and was completed in 1973 following a ceasefire agreement and the refusal of the US Congress to continue funding the war. The helicopters lifting off the roof of the American embassy in 1975 were : evacuating civilians, not "US forces".

Allan Wendt, 3234 Volta Pl NW. Washington, DC 20007-2731,

New royal yacht ideal case for Private Finance Initiative

From Ms Janet Salmon. Sir, I object to the pro posed expenditure of £60m of public money on a new royal acht. If part of the justification is that it is important to business, surely this makes it an ideal case for the Private Finance Initlative. 1 have, however, noticed that German, French and Korcan husiness people manage without a floating palace.

It is particularly difficult to justify at a time when: Schools are having to cut back on teachers to save

 Waiting lists for operations are increasing due to lack of nurses and

 Mental bealth services in London alone require a further £59m a vest. London Underground's

grant has been cut by 28 per cent over the next three years, which has a significant impact on the capital'a business growth, and safety implications.

The Housing Corpora-

tion's funds have been drastically reduced.

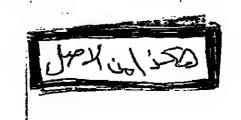
If the government is determined to go ahead, then it could be on the same basis

as the rebuilding of Windsor

Castle, where the Queen contributes some of the funding though opening Buckingham Palace to tourists.

This is the wrong project. at the wrong time, and I do not think it has support from the people.

Janet Salmon 43 Montague Road, Surrey TW10 6QJ, UK



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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday January 28 1997

Russia's ailing tsar

Mr Boris Yeltsin is clearly a be held within three months of very sick man. He managed to a presidential resignation reappear briefly in the Kremlin after his heart operation last year, but within weeks he was laid low by pneumonia. He has not been seen in public, even on television, since January 6.

Does it matter? If Russia were country with a well-tried constitution, established rule of law, and a healthy balance between its institutions, it might not. But the constitution which Mr Yaltsin himself designed has left vast powers concentrated in the hands of the head of etata. He has no vice-president, he can rule the country by decree, and he can dissolve parliament and his government at will. It discourages any sort of risk-taking outside the Kremlin walls.

Already the country is drifting. There is a sense of paralysis in the government, and despair in the population at the corruption and abuse of power in the coterie of new capitalists surrounding the sick president If Mr Yeltsin remains out of action for weeks, if not months, vital decisions will not be taken.

Most important are the negotiations on future relations between Russia and an enlarged Nato: only the president can fin-alise the terms. The republic of Chechnya had elections yesterday, likely to result in a declaration of independence: a Russian backlash must be contained. On the economic front, the government still appears incapable of collecting its taxes, and vital reforms - as in the telecoms sector - are on hold. Presidential authority is needed.

Mr Yeltsin's associates are desperate to cling to power and the profits it brings, fearful that

would give victory to Mr Alexander Lebed, the mercurial exgeneral. They would not survive such a change, and would clearly prefer to maintain the myth of presidential authority as long as possible. Moreover, disturbing rumours are now circulating in Moscow of plans to change the constitution and delay any new poll, if Mr Yeltsin is forced to quit.

tempted to go along with such plans, for fear of what a Lebed or an ex-communist alternative might mean. They want a stable post-Yeltsin transition. But the reality is that the transition has already begun. The danger is that a prolonged period of drift under an incapacitated president will leave all those associated with the Kremlin, and with its positive reforms, as well as its cronyism and corruption. totally discredited. Then the transition might indeed be chaotic and disruptive, both to the nascent market economy and to Russia's delicate international relations

Some in the west might be

If Mr Yeltsin can return to full fitness, it would be splendid. But that looks ever less likely. Rather, it is already beginning to look depressingly like tha last years of Leonid Brezhnev, when he was kept in power in a semi-comatose state. The resulting era of corrupt stagnation ensured the final collapse of communism.

The chances of the Russian president being forced out of office are slim: it requires tha approval of both houses of parliament, and the constitutional court. He must have the courage himself to quit when he

Royal yacht

tut-tutting over the way the UK ties is a net gain to public disgovernment announced last cussion of spending priorities. It week its plan-to-spend £60m of also raises another legitimate taxpayers' money on a new subject of debate: the scale of royal yacht. It is entirely misplaced. Mr Michael Portillo, the defence secretary, was entitled to seek to make political capital out of the decision. He must accept the consequences, however, if it blows up in his face.

By promising to spend the money, the Tories hoped to cash in on the popularity of tha Queen, maritime sentimentality attached to the yacht, and a vague belief that the vessel was good for British exporters. They also, doubtless, hoped to put their opponents on the spot: either Labour would say no, and appear tight-fisted, or it would say yes, and threaten its pain-fully acquired image of bornagain fiscal rectitude.

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Initially, this approach succeeded: Labour seemed to be saying both at once, or neither. Now, however, the Labour leadership has settled on a coherent line, no doubt helped by the pal-pable lack of public enthusiasm for the yacht. It is a nice thing to have, Labour now says, but it cannot and will not be financed by public money, at least in the first two years of a Labour progress towards becoming a

There has been much This gap between the two parthe monarchy in a post-imperial era. Sadly, Britain is not yet a mature and confident enough society to contemplate such a discussion. Instead, royal sycophants and sidekicks murmur that this is all deeply distaste ful Embarrassing to the Queen shoddy piece of electionsering, can't expect thet chap Portillo to understand Britain, can't trust Labour to understand the royal family. And so on.

This is nonsense. By promising, on the eve of an election campaign, to spend money on the yacht, the Conservatives have made an entirely legitimate statement about themselves, their priorities, and their view of the relationship between the monarchy and the taxpayer. They had no obligation to consult Labour on this.

By acting as they did, and opening up the snhjact for debata, they have done the nation a service. If that debate turns out not quite as they had hoped, so much the worse for Mr Portillo. But so much the better, perhaps, for Britain's nation at ease with itself.

Big is best

maker, Mr Sören Gyll yesterday decided that enough was enough. He is stepping down in favour of a younger man, saying, in effect, that it could take years for the company to implement a coherent survival plan. His decision shows how difficult it is for a medium-sized manufacturer to prosper in an

industry increasingly dominated by giants. It also highlights the pressures European motor companies face making profits in the face of chronic overcapacity. If such a wellregarded group as Volvo is struggling to make decant profits, the industry's difficulties are indeed serious. The only option may be the ona European companies have done their best

to avoid - a big merger. Mr Gyll deserves credit for rebuilding Volvo's morale following the 1993 failure of the merger with Renault. But his successor, 45-year-old Mr Leif Johansson, should think hard before he invests Volvo's sur-

plus cash in trucks and cars. In trucks, where Volvo is tha world's second biggest pro- deals would be so big that they ducer, the group's future would would inavitably involve govseem secure. The industry is ernments. But it is for the commore fragmented than car-panies themselves to take the making, so the lack of a large initiative and set the terms.

After five years at the helm of home market has not been an Arter live years at the whicle obstacle. However, in passenger Volvo, the Swadish vehicle obstacle. However, in passenger maker My Soren Gyll yesterday cars, Volvo is vulnerable. The group carries the increasing cost of model development on a much smaller base than most competitors. It produces less then 350,000 units a year compared with more than 640,000 at Mercedes-Benz, the next smallest producer.

The failure of the Renault marger should not prevent Volvo considering other possible deals. Moreover, even bigger mergers will be required to put European carmaking as a whole on an even keel. Capacity stands at 2.5m cars in excess of annual demand of about 12.8m. The gap has grown in the 1990s with expansion of the UK's Japanese owned factories. With South Korean producers setting up in eastern Europe, life will become even tougher.

The acquisitions of Jaguar by Ford Motor and Rover by BMW are too small to solve the problem. The industry needs deals on the scale of the Peugeot-Citroen merger or of the possible links Fiat has discussed with Ford and Chrysler. Such



Crossed lines untangled

After months of delay Italy's government has taken decisive action to clear the way for telecoms privatisation, writes **Robert Graham**

ince the election of the Olive Tree alliance last May, there has been much talk of privatisation - a central plank of the coalition's political programme. So far, however, there has been little action.

The symbol of this inaction has been Stet, the state-controlled telecoms group. The ruling cen-tre-left coalition, headed by Mr Romano Prodi, is the sixth successive government since 1992 to have pledged to sell-off Stet in "the mother of all privatisa-

But progress has been blocked by officials inside the state apparatus and a powerful cross-party lobby that has no desire to see Stet moving out of the public sector. Similar considerations have delayed other big privatisations such as Enel, the state electricity company, the banks (still largely under public control) and the motorways (Autostrade).

But now things appear to be moving. On Friday, Mr Carlo Azeglio Ciampi, the treasury minister, summarily dismissed the group's top management and announced that Telecom Italia. the main telephone operating company, was to be merged with

government's determination to privatisation process - a takeect its latest autumn line for the privatisation.

r Guido Rossi had little to cheer about on Sunday. Fresh from having landed in the hottest seat in Italian industry, the 66-year-old law professor went to watch a soccer match with thousands of other football-mad Italians. There had been high expecta-

tions that his team, Inter Milan, would win easily but the club managed only an unimpressive

Since his sudden appointment to head Stet, the government has equally high expectations about Mr Rossi'e ability to prepare the state-controlled telecommunications group for privatisation later this year.

Mr Rossi, a former chairman of Consob, the Italian stockmarkct watchdog, comes with impressive credentials. Four years ago, he was called in to put

The government has a clear commitment to press ahead with the privatisation of Stet. which is exactly what we are doing," the treasury minister said over the weekend to sceptics.

Although the moves have been under consideration since before Christmas, two recent events appear to have forced action. Last week, the government was

embarrassed by criticism over the slow pace of telecoms liberalisation by Mr Karel Van Miert, the EU competition commissioner. Mr Van Miert catalogued Stet's failure to implement several key aspects of competition policy such as easing the path for a second mobile telephone opera-

"Who runs Italy - the government or Stet?" he said at a Brussels press conference - comments that were given banner headlines in Italy's press,

The European Union had been promised the privatisation of Stet by the end of 1996 to honour a 1993 agreement with with Mr Van Miert, which obliged Italy to reduce the debt of Iri, the state holding company.

Last antumn Mr Van Miert agreed to postpone the deadline until June. At the same time, tha treasury took over Iri's 62 per . The moves were a signal of the cent stake in Stet to speed up the over that made it possible for Mr Ciampi summarily to remove the his bargaining power.

Stet management last Friday. This new decisiveness contrasted with the Prodi government's failure to change the board at Stet when it came up for reappointment last June - seen as an early sign of weakness in a government which had just taken office promising privatisation as

a key element of policy. The second catalyst for Friday's changes was the government's defeat in parliament this month on a bill on the details of the privatisation of Stet. The defeat was largely due to poor parliamentary organisation and the practical effect was to delay legislation which could be easily

reframed.

The government presented the defeat as little more than an unfortunate slip on a banana skin, But the incident highlighted the fragility of the government's parliamentary majority which depends on the votes of 35 deputies from Reconstructed Communism, the party formed from the Marxist rump of the defunct Communist party.

Mr Fausto Bertinotti, the publicity-conscious and astute leader of the Reconstructed Communists, has consistently refused to endorse the centre-left "Olive Tree" coalition's programme of government. Instead; he is willing to offer only a case-by-case endorsement of policy to increase

Reconstructed Communism votes on the Stet bill that defeated the government. Mr Bertinotti appears to harbour no intent to sector due in 1998. bring down Italy's first post-war government in which the left is fully represented. But be is viscerally anti-privatisation and wants the state to retain a controlling stake in telecoms, which he calls a "strategic sector".

"We will fight to ensure that a nism were to abstain. majority of the shares in Stet remain in public hands." he reminded the government over the weekend.

Reconstructed Communism is not the only opponent of Stet privatisation. The former Christian Democrats in the Popular Party, (PPI) which backs the government, have no wish to see the role of Stet changed. Equally the National Alliance, the rightist opposition party, is opposed to privatisation. One reason for this desire to

preserve the status quo at Stet is that MMP, en advertising subsidiary, collects advertising revenue for all the party political newspapers. Last year it recorded losses of L155bn (\$97.7m) assumed to be related to unproductive politically motivated operations.

legislation to establish a telecoms currency.

It was the abstention of the and broadcasting regulator. Such e body is regarded as an essential prior step both to privatisation and to the liberalisation of the

> However, there is no clear timetable for this legislation. Some moderate members of the right-wing opposition have indicated they would help the government to win a majority on the issue, if Reconstructed Commu-

But Mr Prodi is reluctant to adopt the tactics of constructing a "variable geometry" majority, since it would upset his position as head of the "Olive Tree" coalition. With no political base of his own, Mr Prodi needs Mr Bertinotti and his Reconstructed Communists to counterbalance Mr Massimo D'Alema, leader of the Party of the Democratic Left. This social democratic wing of the former Communist party is the dominant partner in the coalition.

The Stet issue will determine whether or not he can maintain this balancing act. And with such a complex balance of forces, it will not be easy to stick to the existing privatisation time-

But if further delays occur, this This cross-party alliance will damage Italy's credibility in against privatisation has been the bigger endeavour of proving most evident in the blocking tac- it can meet the convergence critics behind the introduction of teria to join a single European

Telecoms troubleshooter

Ferruzzi-Montedison, the Italian quoted and non-quoted telecoms chemicals and agribusiness companies, including Telecom group, back on its feet.

Now be must complete the merger of Stet with Telecom Italia, Italy's fixed-line telephone monopoly, which is its main operating subsidiary. The state owns 61 per cent of Stet, which in turn owns 64 per cent of the operating company's voting shares. The merger must be completed by the end of July if the group is to be floated in November as the government intends. The merged group will have

annual consolidated sales of about L40,000bn (\$25.2bn), consolidated net earnings of around L3.000bn and a stockmarket capitalisation of about L55.000hn. Stet also has stakes in other controlling one to a minority

Italia Mobile, the cellular phone company, Italtel, the equipment maker. Sirti, the engineering group, and Finsiel, the software subsidiary.

There are several political obstacles that could delay the process. Before Stet can be privatised, parliament must pass a law setting up a telecommunica-tions and broadcasting regulatory authority. This has been the subject of intense filihustering by privatisation opponents and

rival media interests. Just as troublesome is the fact that the Stet-Telecom Italia merger will reduce the state's stake in both companies from a

bolding of 45 per cent. To avoid any other company dominating the privatised group, the government is considering placing a ceiling of 3 per cent or less on individual shareholdings - as it did when Banca Commerciale after privatisation. Italiana and Credito Italiano

were privatised. But the hard-line Reconstructed Communism party, on which the Prodi administration relies in parliament, insists that the state should retain a 51 per cent stake in the group as well as a golden share. That is likely to lead to political confrontation. especially since Mr Rossi has always been an outspoken critic

of golden shares. Mr Fausto Bertinotti, the Communists' leader, has already

attacked Mr Rossi's appointment as Stet's new chairman because, he claims, he is too close to Mediobanca, Italy's secretive and highly influential bank. Mr Bertinotti suspects Mediobanca, which is the global co-ordinator for the Stet privatisation, will create a core of friendly shareholders to dominate the group

At the same time as wrestling with these political problems, Mr Rossi's other task is to improve the structure and efficiency of the group to compete in a deregulated global telecoms market. Mr Ciampi, the Treasury minister, said at the weekend that the group needed to forge international alliances with strong international partners. For Mr Rossi, the big match has only just begun.

Paul Betts

OBSERVER.

Now rather more united

There's a brighter new mood at the United Nations in New York, which many close observers are binking to the surivet of Koff Annan, was took over as secretary general almost fort weeks ago. Morale among the staff — which had reached an almost

all time low in the final days of : Boutros Boutros Ghafi, perceived by BEIDY 25 am about uncaring boss — has rebounded under Annan, despite the fact that member states are making incessant demands for vermore

Delegates are virtually, unanimons in their approval of the new man, whose easy manner, natural charm and accessibility is, so far at least, winning hearts and minds. There is an evident sense of

pride, too, among black officials in the delegations and the secretarists that, for the first time, the UN has an African. from south of the Sahara in. charge. Also, he'e the first to have coule up through the

But these positive developments aside, the UN is still teetering on the edge of bankruptcy, with member states arrears exceeding \$3.1km Annan L213.2km concert hall near the will have to carry our sweeping 1960s Olympic Village in

persuade the US to pay its own outstanding bill, which currently stands at more than \$100. Today should see him announce his management team; its task essentially will be to restructure an organisation widely regarded as inefficient

There may be some surprises

hat two hard nosed executives from the private sector, who were engaged by Boutros Chali in his billed effort to meet US demands for reform, seem certain to carry on: Joseph the American former chief executive of Price Waterhouse, and Maurice Strong a Canadian millimaire with broad experience in the energy.

Wooden-tops

Alberti and Brunelleschi didn't face this kind of nonsense from their patrons in the 15th century, Krom Rome there emerges the kind of bureaucratic horror story that perhaps only a Machiavelli could fully Renzo Piano, the famous

Genoese architect who numbers Kansai amport at Osaka among his buildings, had presumed thatall was going well for the building of his 2,700 seat,

His acoustically-superior plan won against stiff international competition in July 1994, and musical Rome rejoiced, having waited for more than 40 years to get a decent-sized hall for their resident orchestra, the Santa Cecilia.

There have already been some delays in the construction, the .. most serious to date being thanks to the discovery of a magnificent Roman villa. This problem was circumvented. literally, by incorporating the archaeological site into the The latest difficulty - in the

form of the technical staff of the Public Works ministry - may well prove more tricky to crack. This ministry has once before sent Piano to the drawing board, in December 1995, to make corrections to the foundations. The new objection raised by the ministry has caused a furore. Piano has been instructed that

he may not use wood to roof his three scarab shaped concert halls. The reason is simple: secording to the ministry, wood is not one of the materials listed as suitable for public buildings.

Find that phrase

A new Chechen-English pocket dictionary has landed on Observer's desk, stuffed full of useful phrases - though not, as

far as we can tell "I surrender" and trrepressibly optimistic. . In the section titled "what's to see", for example, the authors.

comment that "despite 200 years of pollution, destruction and invasion the Chechens still have good reason to be proud of their A chilling, if invaluable book. In the "politics" section

"concentration camp" sits cheek

by lowl with "constitution", and "minority" with "murder". So, a bottle of malt whisky to the first postcard/fax (to the usual address, fax number is 00 44 171 873 3926, closing date 14 February) with the correct or closest so, English translation of the following vital expression: "Quzah" is h'aa guuranush yui?"

Temporary job

You've got to hand it to the prestigious Institute of Enterprise in France - it certainly knows how to pick some of the best qualified French business leaders to make a series of presentations at its annual general meeting.

And there cannot be a better selection than that of Jean-Jacques Bonnaud, the former chairman of state insurance group GAN, who was brutally sacked by the government late last year. His subject: "Making good use of part-time working".

Financial Times

100 years ago Banking Reforms In America

Washington, 27th Jan. The National Board of Trade has adopted a scheme of banking law on the following lines:-Gold coin to remain the Standard: the retirement of United States notes in such a way as not to disturb business; the national banks to be allowed to issue currency, equal to the par value of bonds, and the tax on .: circulation to be reduced; the banks to be allowed to issue currency based on their assets under national supervision; the establishment of banks of issue in towns and villages of not less than 3.000 inhabitants.

50 years ago

Trade With Japan In the House of Commons yesterday Brigadier Fitzroy Maclean (Conservative, Lancaster) asked the Foreign Secretary whether, in view of the need for restoring British foreign trade, he would take immediate steps to secure the readmission of British businessmen to Japan He asked whether it was not a fact that representatives of American insurance agencies and motor manufacturers were already in Japan.

FINANCIAL TIMES

Tuesday January 28 1997

"Long-term business success comes from earning our customers' respect." KAZUO BIAMORI, Journal of Kyoce

KROCE

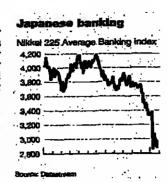
Japanese banks' credit Randgold ratings downgraded

Credit ratings of four medium-sized Japanese banks were downgraded yesterday from "stable" to "negative" by Moody's, the international credit rating agency, sending Japanese bank shares tum-

Although the downgrades were expected, the agency's doubts about the government's ability to prevent further bank closures sbocked investors and financial authorities

"Japanese policy with respect to the resolution of distressed institutions is shifting from one of protection and forebearance to one of resolution via liquidation, which may expose creditors to risk," Moody's warned.

The banks affected are Nlp-pon Credit Bank, the smallest of the three long-term credit banks, Hokkaido Takushoku Bank. the smallest of Japan's 10 commercial banks; and Yasuda Trust and Chuo Trust, the fourth and second smallest of



The four banks, among the weakeat of Japan's top 20, have had difficulties dealing with bad debts. Moody's noted that the banks' prospactive core earnings, existing capital and reserves "may not provide a sufficient cushion to absorb required loan-loss provisions".

Moody's noted the introduction of several laws last year which gave regulatory authoritles greater powers to take action on troubled financial institutions. "Undar the new

actions based on regulatory capital requirements will become effective in April 1998, after which time distressed banks would be declared insolvent by regulators.'

A sell-off in bank shares on Monday left the stock market down by 2 per cent. Tha Nikkei 225 stock average fell 354.46 points to 18,334.90. Bank ares lost nearly 5 per cent in the day's trading. Last year, bank sbares fell

an average 44 per cent, and have fallen a further 10.5 per cent since the beginning of this year, according to HSBC James Capel

The banks rely on "hidden profits", or unrealised gains on their equity portfolios, to bolster income and meet international capital adequacy requirements. The recent stock market declines have cut into these latent profits and generated concerns about the banks as they approach the business year-end on March 31.

Banks near danger zone,

Kim orders inquiry into \$5.8bn collapse of Hanbo

By John Burton in Seoul

President Kim Young-sam, the South Korean president, yesterday ordered an investigation into the collapse of the Hanbo steel and construction group, which opposition political parties described as "the biggest financial scandal in Korean bistory".

Hanbo's collapse last week with estimated debts of Won5.000bn (\$5.8bn) bas shaken the banking industry. It caused the Seoul bourse to fall by 2.9 per cent yesterday.

It has also increased pressure on the Kim administration, already reeling from protests over a controversial labour law and Korea's worst economic decline in more than two decades. Mr Kim's approval ratings have fallen below 20 per cent. Presidential secure loans for the construcelections are due later this tion of a Won5,700bn steel mill

Volvo chief

Continued from Page 1

to Hanbo in spite of its shaky finances, in return for illegal political donations from the industrial group.

Officials said the fault lay with the banks, although they admitted the need for better government supervision. The opposition suggested

one of Mr Kim's sons might be involved in arranging the loans for Hanbo, although it offered no evidence for the That brought a stinging

rebuke from the administration, which promptly agreed to hold a special parliamentary session in an attempt to dismiss "groundless allegations". Prosecutors will examine

whether Hanbo might have bribed bank executives to year. Opposition parties said which has proved to be

government officials had pres-sured banks to lend large sums caim worries over the health of the banking sector, Mr Han Seung-soo, the finance minister, said Hanho had provided mortgage guarantees which more than covered its bank

> Earlier official estimates had auggested that some of the loans lacked adequate collateral, which would expose the banks to buge losses.

> Korea's banks have long been a breeding ground for corruption, as capital is scarce. Businesses have often resorted to bribery to get loans.

> More than 30 sanior bank executives bave been dismissed for corruption in the past five years. They included two previous presidents of Korea First Bank, the biggest

How Hanbo treasure turned to

| PepsiCo withdraws from Burma

FT WEATHER GUIDE

The Volvo board, which was informed of the resignation last Friday, said it regretted but accepted Mr Gyll's deci-

Mr Gyll, who had no experience of the car industry when he joined Volvo in 1992, may have felt he had accomplished his prime task - that of restructuring Volvo's operations after the Renault

Europe today

Continued from Page 1

Democracy bave effectively been banned while many of its activists have been jailed. Democracy leader Ms Aung San Sun Kyi is under bouse arrest and last mouth thou-

sands of students held demonstrations in the cepital Rangoon and second city

Partly as a result, Heineken and Carlsberg, the brewers, Walt Disney, the entertain-

ment congiomerate, and Apple, the computer group. have withdrawn or stopped buying products in Burma. Kodak said it would stop distributing its film products

The largest remaining US investor is Unocal, the oil company which has an equity stake in Burma's single biggest infrastructure project, a pipeline to transport natural

in the country. gas from the Adaman Sea to Thailand.

aims to put its stamp on growing market

By Mark Ashurst in

Randgold, South Africa's smallest gold producer, is considering putting its name on its gold products in an attempt to casb in on international consumers' eagerness to help its home country.

Mr Peter Flack, Randgold's chairman, bopes the company's move will be the start of a trend, and imagines one day seeing a Cartier Randgold bracelet perhaps vying for shelf space with a Rolex Anglo American wrist watch in the select boutiques of Fifth Avenue and Bond Street.

Mr Flack accepts that gold looks, feels and costs the same all over the world. But he said: "If you can distinguisb between brands of gasoline and bousehold bleaches, you can do the sama with gold. In Sonth Africa, he said, the tax paid by mines is spent on the Reconstruction and Development programma, devised by President Nelson Mandela's government to redress the

evils of apartheid. "It is important to differentiate," said Mr Flack. "South Africa is not like Papua New

He said that Randgold had already won permission from the South African Reserve Bank, which traditionally manages the country's bullion sales, to sell its gold indepen-

Up to a third of the output from its flagship Harmony mine would be sold directly from a new refinery. Randgold would start by selling "little bars", to be followed by hollow chain and jewellery blanks for rings or coins.

This value-added path would lead eventually to branding with the company name, he predicted. If the scheme enables the company to achieve an extra one per cent on the gold price, It would add R15m (\$3.2m) to the group's profits.

The strategy emerged as Randgold announced record results for the December quarter. Higher operating profits combined with a bouyant rand gold price to boost net aftercent, from R75m in the Sep-tember period to R126.6m in the three months to December

Analysts sald the results were above expectations, but warned that Randgold was more highly geared to the gold price than the bigger mining

Randgold said negotiations to complete the purchase of the marginal Saaiplas mina from Freegold, the supermine controlled by Anglo American, would probably be settled this

There was no obvious theme to the corporate musical chairs in Sweden yesterday, but the identity of the

conductor was apparent: the all-powerful Wallenberg family. Volvo has been Sweden's only alternative corporate sphere to the Wallenbarg's Investor holding com-pany. But the reshuffle of chief executives at Volvo, Electrolux and Atlas Copco means that former Wallenberg lieutsnants will be chairman and chief executiva at Sweden's largest car company. And this has happened as Volvo reaches a strategic crossroads, with Skr15bn (\$2.1bn) of cash from divestments to

Volvo's shares rose on news of the arrival of Mr Leif Johansson from Electrolux. But while he set impressive targets for operational performance at Electrolux, he failed to achieve tham. Moreover the acquisitions he made, though strategically astute, were far from profitable. The white goods market has been tough, but this record offers no obvious cause for celebration.

Indeed, there are reasons for concern. Volvo'a management has suggested returning a large chunk of cash to shareholders. A new boss will probably have more ambitious plans - particularly if the Wallenbergs pull strings, since they have no direct stake in Volvo and would gain nothing from any pay-out. Volvo must choose between trying to survive as a relatively small independent carmaker or pursuing strategic partnerships. The latter looks the more profitable route for investors. Volvo's cash mountain could encourage a riskier, if more glorious, strategy.

German banks

After five years of underperformance, German bank shares have scorched ahead spectacularly. Over the past three months, Commerzbank's price has risen by 27 per cent, Dresdner's by 32 per cent, and Deutsche's by 17 per cent. For the first two, this is double digit outperformance of s stock market Itself rallying strongly.

This is doubly puzzling. With European economies and interest rates increasingly synchronised, banking stocks might be expected to trade similarly across borders. Yet Swiss and French bank stocks bave enjoyed nothing like the same rally. It is also far from clear why German bank shares have rallied in the first place. Certainly a bull case can be made: it rests on expecta-

THE LEX COLUMN

A family affair

tions of cost-cutting and consolida tion, optimism about trading prof-

its, and a catch-up argument. This is well and good, but there are two snags. First, other European banks have made greater progress in trimming costs. Second, the extent of over-regulation means that rationalisation benefits remain very difficult to achieve in practice. Moreover, returns are inhibited by the privileged position enjoyed by

savings and co-operative banks. All this leaves German bank shares looking extremely exposed. Deutscha and Dresdner, for example, enjoy valuation premiums of more than 50 per cent compared with the big three Swiss banks. These cannot be justified. It is time to take profits.

UK rights issues

Could the great debate over UK rights issues be almost over? It is a possibility. For one thing, the old sub-underwriting cartel is crumb-ling; in recent issues a chunk of sub underwriting has been tendered competitively. Given the savings that have resulted, fixed commissions look to be an endangered spe-

As for rights issues themselves, the traditional argument against change was that existing investors need protection from dilution through shares going to new investors at an unfairly low price. But, as investment bank BZW points out, a US-style hookbuilding should be able to accommodate such protection by fixing a price through competition, but giving existing investors a prior right to buy at that

Assuming this can be made to and reputation for another day.

work, only one big argument for the existing system remains: bookbuilding is likely to be more expensive. Against the benefits of marketing a big public offering - which can help a share price - have to be weighed the costs. True, but this judgment cannot sensibly be made across the board; companies need the freedom to weigh costs and benefits depending on their individual circum

This flexibility need not give bookbuilders an easy ride; rights issues would simply have to compete on their merits. After all, more competitive sub-underwriting fees will make them better placed to do so. But they should also give the recipients - institutional investors - a far less powerful incentive to stand in the way of change.

Newman Tonks

Trading at 100p a share just before FKI's bid, Newman Tonks was surely undervalued. Whether the architectural hardware group is worth 75 per cent more than that the price of Ingersoll-Rand's counter-offer - ia doubtful. Ingersoll. which also makes doors, locks and door closers, can claim some benefits from combining tha two companies' product ranges and distribu-tion channels. And Newman Tonks offers the US group a strategic foothold in Europe. But for that it is paying a very full 21 times earnings. Even using Newman Tonks' upwardly mobile profit forecast of £18m for 1996, Ingersoll will get a post-tax return on its £230m investment of only 5 per cent.

Since the hid is in cash, none of this need occupy Newman Tonks shareholders: unless an even higher bid emerges, they should grab Ingersoll's money. They might also give a vote of thanks to M&G. which started the auction process by pledging its 11 per cent stake to

FKI itself is in a trickier position. It can make a similar commercial case to Ingersoll, since It also has a US-based hardware division. And FKI's management must find it calling to bave identified a sitting dnck only to see it bagged by someone else. Even so, the group should walk away. If it re-hid at, say 200p, it would have nearly to triple New man Tonks's profits to avoid diluting its own return on capital - a task that seems impossible even for its astute management. It would be smarter to preserve its firepower

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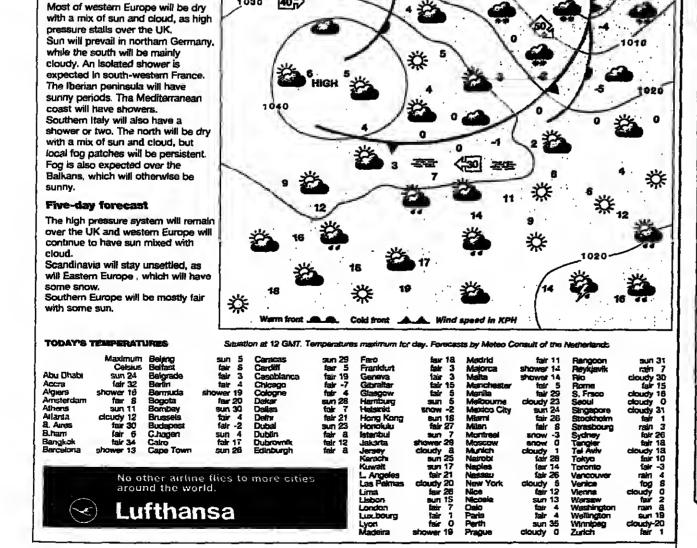
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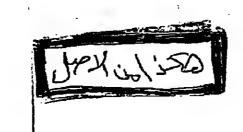
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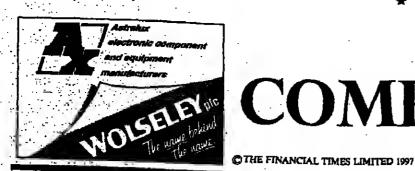
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FINANCIAL TIMES COMPANIES & MARKETS

Tuesday January 28 1997

KYOCERA, world leader in high-tack ceramic ontinually develops new uses for its technology n the IT and automotive industry, medicine, elecronics and metal processing.

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IN BRIEF

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Sociele Generale

Nortel shares slip despite profit rise

Northern Telecom, the Toronto-based telecoms equipment supplier, ended 1996 on a strong note, with earnings up by 26 per cent and record order inflows. However, Nortel's shares, which have surged in the past month, dipped 88 cents to \$68.38 in early trading in New York. Page 24

ScotPower issues its first eurobond Scottish Power, the UK's largest multi-ntility company in the electricity and water sectors, has issued its first eurobond. The £200m (\$334m) proceeds will refinance part of the £1.5bn of bank debt following the acquisition of UK utilities Southern Water and Manweb. Page 26

RPA predicts 7% sales growth Sales this year by Rhône-Poulenc Rorer, the US pharmaceuticals company controlled by French chemicals company Rhône-Poulenc, will rise by more than 7 per cent, RPR said. Page 24

22 Land Securities

14 Megazine House

Men'll Lynch

Mars Flectronics

McDonnell Douglas

National Relector

Newmen Tooks

Novartin

PDVSA

3 Placer Dome

22 Polska Miedz

25 Rolls-Royce

SGS-Thomson

Scottish Powe

Société Générale

Suchard Floaro

Sumitomo

Telefónica

Tenet Healthcare

TCI

Vlase

22 Volkswaget

Sri Lanke Telecom

23 Plitel

25, 19 Repen

Oneximberol

Nat'l Samiconducto

22 Lippo Ltd

GM to buy back \$2.5bn of its shares

By Richard Waters in New York

General Motors set the seal yesterday on its return to financial health with a plan to buy back \$2.5bn of its shares and raise its dividend by 25 per

The moves were more cautious than analysts on Wall Street had hoped and were seen as an indication that the US carmaker was some way from completing its restructuring and lifting profit margins in its core domestic operations. Yesterday's moves come five years after the then-struggling a rapid completion of the buy-

automotive giant was forced to back programme, as well as shares yesterday morning, to unchanged at A-minus, the turn to the equity markets for further repurchases soon. \$2bn to plug its dwindling cash resources. "The question used to be whether they would survive, so it's quite a turnaround," said Mr David Healy, a motor industry analyst at by Chrysler, a much smaller Burnham Investment

GM also disclosed that it had \$17bn of cash at the end of last year, \$6bn more than a year earlier and \$4bn more than the reserves it needs in case the cyclical market turns down. The company's high level of liquidity led analysts to project

into distributing more of its cash by its biggest shareholder, Mr Kirk Kerkorian. Yesterday'a increase, which puts GM's quarterly pay-out at 50 cents a

the company's sharee below the level of its domestic com-

GM's initial share buy-back,

equivalent to about 5 per cent

of its outstanding shares, is lit-

tie bigger than the \$2bn of

\$60%, GM's annual dividend yield stood at 3.3 per cent, compared with 4 per cent at Chrysler and 4.4 per cent at

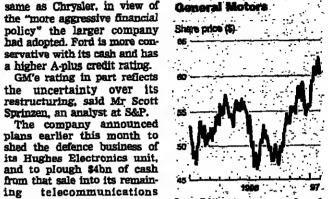
GM's stock price has risen repurchases mounted last year steadily in recent weeks as company. Chrysler was goaded Wall Street has looked forward to sharing directly in the company's recovery. Until now, GM has used the eteady US dividend recovery of the early- and mid-1990s to repair its balance sheet and erase its large penshare, also leaves the yield on

sion deficit. Standard & Poor's, the US the level of its domestic com-petitors. After a \$2% fall in its would leave GM's credit rating

US company makes agreed £230m offer

same as Chrysler, in view of the "more aggressive financial policy" the larger company had adopted. Ford is more conservative with its cash and has a higher A-plus credit rating. GM'e rating in part reflects

restructuring, said Mr Scott Sprinzen, an analyst at S&P. The company announced plans earlier this month to shed the defence business of its Hughes Electronics unit, and to plough \$4bn of cash from that sale into its remaining telecommunications



Companies in this issue

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GAN General Motors Geral do Comércio Giordano

House of Fraser Housing Ass Funding Indian Aluminium Ingersoll-Rand

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Giordano hit by concerns over China

Out of favour HK retailer sees shares fall further 25%

Giordano

the demands and that the

amounts involved would not

seriously affect the group's

aware of official action to clos

operations on the mainland

next month, as has been

suggested in press articles.

Giordano said it was commit-

ted to expanding business

It was also considering the

the introduction of strategic

Giordano described sales as

satisfactory and said the num-

ber of outlets on the mainland,

was 124, a net increase of 31

compared with the end of 1995.

price appeared severe given

Yesterday's fall in the share

investors into the group.

financial stability.

By John Ridding in Hong Kong

Shares in Giordano, the Hong Kong-based clothing retailer, fell 25 per cent yesterday after a statement from the company fusiled concerns about its operations in China. The fall, from HK\$5.05 to

HK\$3.80, takes the decline since the beginning of the year to more than 40 per cent. It is the latest blow to be caused by the group's problems on the mainland, which have raised concerns about the risks of doing business in China, Giordano has been dogged

by setbacks in China since Mr Jimmy Lai, its founder and former chairman, criticised the Chinese premier in 1994. That was followed by the closure of its Beiling store.

Retail analysts in Hong Kong said the share sell-off in China. It said it was not as the result of Giordano's failure to secure agreements to open ontlets in Beijing and Shanghei. They said political considerations remained a factor, in spite of Mr Lai's sale last year of his shares in the

"It is very hard to resolve those kinds of problems," said Ms Louisa Sung, at Sassoon Securities. Another sector analyst said: "Giordano is out of favour in China and that is threatening business."

Giordano said yesterday that negotiations on opening retail outlets in Beijing and Shanghai had not been completed and that the group had received "demands for levies and other payments" resulting from "regulatory procedural requirements".

The statement said directors seeking a resolution of

Ingersoll trumps **FKI** bid for Newman

By Tim Burt

Ingereoll-Rand, the US industrial equipment group, yesterday announced plans to create one of the world's largest building product manufacturers by trumping FKT's hostile £189m (\$315.63m) bid for Newman Tonks, the UK architectural hardware company, with a £230m agreed takeover.

The US group, which said the cash offer aignalled an ecceleration of its European expansion stretegy, predicted it would succeed in defeating the mixed cash and paper bid from FKI, the diversified UK engineering company.

Last night it emerged that Assa Abloy, the Swedish locks manufacturer, had also considered a cash and share offer for The group rejected reports Newman Tonks thought to be that it bad suffered a mase worth more than £200m. defection of franchise holders But the Scandinavlan group

advised by Skandinaviska nskilda Banken, said it decided not to proceed. Newman Tonks urged shareholders to accept the Ingersoli bid, describing it as a full and fair price for its shareholders.

Its shares rose 28p to 179%p, just ahead of the 179.4p-a-share offer from Ingersoll. The cash bid from Ingersol which yseterday also announced annual pre-tax profits up from \$270.3m to \$358m on sales of \$6.7bm - represented a 75 per cent pre-

mium to Newman Tonks'

102.5p share price before FKI

that the mainland accounted announced its offer last for just 15 per cent of Giormonth. FKI's initial offer is worth dano'e sales of HK\$3.48bn 148.4p. Although it bas already (\$452m) in 1995. But analysts said the effect was amplified secured acceptances et that level from shareholders holdquestions about the impact of China's claims against the ing 20.6 per cent of Newman group and raised expectations Tonks, those investors would be free to accept the Ingersoll



Newman Tonks chief Geoff Gahan (left), with Ingersoll-Rand vice-president Brian Jellison after the US group announced a £230m agreed takeover with the UK company

hid if FKI allowed its offer to

They include M&G, Newman Tonks' largest institutional ehareholder, which surprised rival fund managers by giving an brevocable undertaking to

accept FKI's bid at the outset. A rival fund manager with shares in Newman Tonks yesterday eaid Ingersoll's approach reflected the growth prospects for the group. "This shows that there is considerable value in Newman Tonks

long term market position."

Ingersoli said Newman Tonks' strong market position in Europe would complement America, where it already manufactures door locks and

Mr Brian Jellison, vice-presi dent of Ingersoll-Rand, said the enlarged group would benefit from stronger purchasing power, an improved distribution network and shared tech-

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Paul Reutlinger: confident Sabena will succeed

about the mainland market.

Swissair, the Swiss airline, has threatened to write down its 49 per cent stake in Sabena unless the ailing Belgian carrier demonstrates that it is meeting cost-cutting targets within six months.

Writing down the investment to zero would give Swissair the option to walk away, or sell its stake for a symbolic sum to another investor, according to Sabena. If it retained the stake, writing off its value would mean Swissair no longer had to consolidate Sabena's losses in its group

A Swissair pull-out could put

Sabena's future in question, since the Belgian state, which retains the majority etake, has not indicated whether it would be prepared to bail out the

national carrier. Mr Paul Reutlinger, the Swissair-appointed chairman of Sabena, says he is confident the Belgian airline will succeed in its restructuring programme, which aims to return the sirline to profit by 1998 by reducing BFr4.7bn (\$140m) from annual costs.

But he told a Belgian news paper that Swissair was ready to write off the \$207m investment it made in Sabena in 1995 if the budget was not "moving in the right direction". Mr Reutlinger was seeking to end a series of rumours in Belgian financial circles last week, some emanating from Sabena pilots. These ranged from an imminent pull-out by Swissair, to a break-up of Sabena or plans to hand over operation of many routes to its partner airlines. Delta of the US, Austrian Airlines and Singapore

Airlines. There were also rumours of a partial merger with Mr Richard Branson's Virgin Express. the cut-price airline that has taken over operation of Sabena's Brussele-London

Sabena said: "Swissair are not demanding we make a force.

Heathrow slots.

[first-half] profit, they know we will make a loss. What they want to see is that we are sticking to budget. Mr Reutlinger very strongly believes we can do it."

The restructuring plan, agreed with Sabena'e four unions after months of difficult negotiations last October, aims to reduce costs by BFr4.7bn by 1998, and BFr6.7bn by 2000,

In the first stage, BFr2bn is to be cut from staff costs. about 20 per cent through a two-year wage freeze, and the rest from more flexible working practices and 500 redundancies among the 9,500 work-

Merrill Lynch reports record earnings

By Tracy Corrigan

The last of the big Wall Street firms to report its earnings Merrill Lynch, yesterday brought a triumphant season for brokerages and investment banks to a fitting close, reporting record earnings for 1996 and beating analysts' estimates for the quarter,

Merrill's net income for 1996 was \$1.6bn, compared with \$1.1bn in 1995. Earnings per share of \$2.27 for the fourth quarter were substantially above analyats' estimates of \$1.96 and above the

third quarter's \$1.68. However, coming at the end of a season of positive earnings surprises for financial institutions, dne to strong underwriting and trading conditions and a booming mergers and acquisitions market last year, Merrill's share price failed to benefit, elipping \$%

to \$83% in a weak market. "The good times keep rolling," said one analyst, but that investment banks will face difficult earnings comparisons in 1997, given their good showing last year. Merrill's return on common equity rose to 26.8 per cent in 1996, compared with 20.1 per cent in 1995. Net income for the quarter was \$445m, np from \$331m in the third quarter. The cost of compensation and benefits in the fourth quarter was \$1.7bn, up 28 per cent on the same quarter of the previous year because of "higher variable compensation related to increased profitability and business vol-

ume", Merrill said. Despite a large increase in bonus payments last year. compensation and benefits expenses as a percentage of net revenues were stable at just under 50 per cent.

Like many other investment banks and brokerages, Merrill plans to increase staff numbers this year. Employment levels on Wall Street reached record levels last year, according to the Securities Industry Association. While bonus payments are a flexible cost, some analysis have expressed concern that Wall Street firms are also adding to their fixed cost base by increasing staff numbers in a bull market.

"We achieved record profits while continuing to plan for the global growth of our business through strategic investments designed to benefit our clients and chareholders for years to come." said Mr Daniel Tully, Merrill's chairman. Merrill retained its position

as the leading underwriter of debt and equities worldwide. with a market share of tust under 13 per cent, according to Securities Data.

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Property disposal helps Suez back to black

By Andrew Jack in Paris

Suez, the French holding company which has been undergoing substantial restructuring. vesterday announced a return to the black with profits of FFr800m (\$145m) in 1996 after completing a property sale with a gross value of FFr9bn.

The group said Whitehall Street Real Estate VII, the US-hased property fund managed by Goldman Sachs, the investment acquire property development activities, and with cash of FFr5bn.

activities with a net value of

"Our property problem is now in Tractebel, trivial." said Mr Gérard Mestrallet, utilities group. chairman, who said Suez had gone through a "profound mutation" during 1996 after reporting losses for 1995 of FFr3.9hn. "I am for 1995 of FFr3.9hn. confident for the future of the

He said Suez had begun last year as a financial services group with deht of FFröbn, and ended it with 70 per cent of its turnover coming bank, had paid about FFr3bn to from industrial and service

This followed the sale of Banque Indosuez and its controlling stake in Tractehel, the Belgian-based

Mr Mestrallet stressed that the group was now focusing on two areas: the provision of financial services to individuals, and of infrastructure and services to local authorities.

The group unveiled details of its plans to dispose of its remaining property holdings by 2001. The holdings' hook value has fallen from FFr30bn at the end of 1993 to FFr14bn at the end of last year.

Apart from the Whitehall deal, UAP, the insurer which has FFr2hn of holdings will be sold gradually over the next five years. while the remaining FFr3bn will be hived off into a separate property company. This will control property with 90 per cent occupancy rates and is obliged to

per cent a year. Whitehall, which hid against Lehman Brothers and Morgan Stanley of the US for the property portfolio, already acquired a FFr745m package from Soez last year, as well as FFr3.2bn from

pay Suez a dividend of at least 5

recently merged with AXA.
Separately, Suez said it had made a provision of FFr500m against its abareholding in Axa-UAP, and that its total provisions against the French

property crisis during 1996 had been FFr2.5bn. The company said operating profit for 1996 would be FFr2.3hn. Gains during the year included FFr500m from its sale of the UK-hased Gartmore management business, and

Kirch calls for dismissal of Premiere managing director

By Frederick Stüdemann

KirchGroup and Bertelamann, two of Germany's higgest media companies, over the development of pay-TV has taken a personal turn. Kirch has demanded that the in frustrating the developmanaging director of Premiere, a pay-TV channel in pay-TV network, DF-1, which which both companies have was last week served with which both companies have

stakes, he dismissed. In a letter sent last week to members of Premiere's supervisory board, Kirch proposed that Mr Bernd Kundrup be sacked on the grounds that he was allegedly prejudiced in favour of Bertelsmann. This company has a stake in Premiere through the recently formed licence from the Bavarian Luxembourg-based company media authority.

mann has a 50 per cent Kundrun was rejected by Zmeck as evidence of a shift share. Before moving to Premiere's supervisory in Kirch's strategy and a tuasie bstween Premiere in 1994, Mr Kundrun was head of the Bertelsmann Club, a book ciuh company.

The Kirch move follows Mr Kundrun's recent success ment of Kirch's digital an injunction by a Hamhurg court banning it from marketing outside Bavaria.

Mr Kundrun went to court alleging that while Premiere was preparing to launch its digital services in a series of pilot projects agreed with the regulatory authorities, DF-1 had over-stepped its

The proposal to dismiss Mr see the departure of Mr from Kirch, CLT-Ufa and ing tensions with CLT-Ufa. Canal Plus, the French media group.

CLT-Ufa and Canal Plus has changed in recent each hold stakes of 37.5 per cent in Premier, while Kirch increased subscriber numowns 24 per cent. In a separate move Mr

Gottfried Zmeck, Kirch managing director and head of DF-1, is set to leave the supervisory board in favour nothing unusual and had

board, which is made up of hint that the Munich-based two representatives each company is keen on reduc-The halance of power between the two companies

> weeks. Premiere has steadily hers, which now total 1.43m The company forecasts that it will make a profit this year - its first since it was launched six years ago. The lukewarm start of

of Mr Klaus Piette, Kirch'a DF-1, which was launched legal and personnel director. last summer and has so far Kirch said the change was attracted only 20,000 subscribers, has put pressure on heen planned since Mr Kirch. The group, headed by Piette's appointment to the Mr Leo Kirch, has spent board last autumn. Sources heavily buying Hollywood close to Premiere, however, content,



Leo Kirch, the German media mogul who heads KirchGroup

Thyssen scales back plan for telecoms expansion

By Ralph Atkins in Bonn

Thyssen, the German conglomerate which two media sectors. years ago set out aggressive expansion plans for its telecoms interests, yesterday ruled out "an offensive at any price" in the fixed-line telephone market.

In comments which con- 1998, trasted markedly with its earlier amhitions to take a parrowly to win a 49.8 per "leading" position in the cent stake in DBKom, the market, the Düsseldorf telecoms network of Ger-

position as a services provider, including new multi-

The change of tona underscored the difficulties faced by would-be rivals to Deutsche Telekom - in splte of the prospect of liberalisation of the German market from

Thyssen last year failed

seen other large groups forming alliances to range against Deutsche Telekom.

man, said creating the right conditions in the fixed-line domestic market was only possible "when one is prepared, for the next 10 years, to make no profit - we are

However, he said Thyssen

trate instead on building its which went instead to Man- ating a fixed network later nesmann, another German suggesting he had not yet conglomerate. It has also ruled out applying for a licence for public voice and data services after next year.

Moreover, Thyssen was Mr Dieter Vogel, chair- not looking to sell its 30.125 per cent share in E-Plus, Germany's third-largest mobile telephone network, which was well positioned to take advantage of the "still dynamic" mobile market. An offer worth up to DM3bn (\$1.84bn) for the stake from

coms group, is understood to have been rehuffed last year. the traditionally-weak first Speaking at Thyssen's

annual results press conference in Düsseldorf, Mr Vogel also said the group was looking for acquisition possihilities to expand its lift was level after taking manufacturing activities and help double the division's turnover to DM6hn by 2000.

The group continues to undergo a large-scale restructuring, including withdrawing from unprofitable businesses.

quarter were still "not satisfactory". Turnover, at DM8.7bn, was down 6 per cent compared with the same quarter a year ago but account of disposals.

For the year to September. Thyssen reported a 36 per cent fall in pre-tax profits to DM654m with steel and construction sectors hit particularly by poor trading condiINTERNATIONAL NEWS DIGEST

early retirements

appliances, yesterday amounced a programme of 18. working in an agreement with its unions to avoid widespread compulsory redundancies.

The company also said it planned to launch a FF525m (\$95.7m) rights issue at FF793 a share, and said that rising margins and lower raw materials prices suggested its operating profits for 1996-97 were likely to rise.

The action came after its plans last year to lay off substantial numbers of staff in an effort to reduce costs which triggered a national political uproar and led to

Moulinex said it had delayed some product launches into this year, streamlined its range and introduced a more selective sales policy. Turnover for the third quarter of 1996-97 rose 0.6 per cent on tha same period last time.

Bezeq arranges \$100m loan

Bezeq, Israel's state-owned telecoms company, will raise \$100m without guarantees from an international consortium to finance part of this year's investment programme and repay some of its Shk8bn (\$2.43bm) outstanding debt. The loan, arranged by Union Bank of Switzerland, Dresdner Bank, of Germany and Fuji Bank, of Japan, will be finalised in March and repaid over a

period of seven years.

Mr Isaac Kaul, outgoing president of Bezeq, yesterday said the loan would be used to finance the expansion of services at a time when Bezeq and the Israeli government are locked in a dispute about how and when the company will be privatised. Bezeq's Shk1.8bn investment programme cannot be fully met hy its cash flow, which totalled Shkl.4bn for the first nine months of 1996.

Polska Miedz profits drop

Polska Miedz, the Polish copper producer which is due to be privatised later this year, has reported a 500m zlotys (\$167m) gross profit for last year, a drop of 300m zlotys on the 1995 result.

Mr Stanislaw Siewierski, managing director, blamed the slump on last year's fall in the world copper price. He told the Rzeczpospolita newspaper this marked a 22 per cent drop in 1996 on the previous year's annual average price of \$2,936.50 a tonne.

Last year, Polska Miedz produced 424,700 tonnes of copper, 933 tonnes of silver and 530 kg of gold. Copper ontput was up 5 per cent on the previous year and costs were 5 per cent down, Mr Siewierski said.

Management is hoping to see a public offer of stock in the company - which is valued at about \$2bn - at the end

Decisions still have to be taken by the government as to how much of the company's equity will be offered on the Warsaw Stock Exchange and how much abroad. The government, which is being advised by a consortium comprising UBS, BZW and the local

Wielkopolski Bank Kredytowy, plans to retain 49 per cent of the stock, while 15 per cent is to be handed to Polska Miedz's 24,000 employees. Christopher Bobinski, Warsan Comments and press releases about international

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group said it would concen- many's railway system, could still expand into oper RWE, the energy and tele-

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Figaro in move to defuse row

By Vincent Boland in Prague

Jacobs Suchard Flgaro, a Slovak meeting must be held within 30 days of confectionery maker controlled by Philip Morris, of the US, bas agreed to last week. hold an extraordinary shareholder

Prague Capital Partners, a Czech of Figaro investors, demanded the meeting last week to air the charges, which Figaro rejects. The investors

larities and mismanagement". A similar row between Philip Morris

PCP and Wyser-Pratte of the US, domestic investors Phllip Morris, through the Kraft

asset management firm leading a group Foods unit of its subsidiary Kraft Kraft Foods and Figaro management to Jacobs Suchard, owns 67 per cent of meet with financial analysts. It begs the Slovak company, for which it paid about \$20m in 1992.

also renewed their allegations that the company bad a "dismal" disclosure record and "poor earnings", which they attributed to "transfer pricing irregular which Figaro paid nearly \$2m in back Kraft strongly denies the charge of which Figaro paid nearly \$2m in back

taxes and fines. Mr Michael Cohen, a lawyer for and Figaro's minority shareholders Kraft, said the audit concerned "a VAT" our aide in explaining where we erupted in 1995, but Mr Robert Blazek. issue that was not correctly handled".

managing director of PCP, said it was Back taxes and a fine were levied but still unresolved. Under Slovak law the the fine was reduced on appeal. "Nothing has come out of the investigation the request, which was received late which implies wrongdoing or tax eva-

1 to 1

Mr Blazek said minority shareholdmeeting to defuse a row over charges—with which it is acting, control 10 per—ers wanted Philip Morris to pursue "a of "mismanagement and possible tax cent of Figaro. Mr Blazek said the transparent disclosure policy" at Figevasion" levelled by a group of minor- group included other foreign and are similar to that operating at the parent company. Investors were "astounded by the continued refusal of the question: what do they have to

hide?", he said. Kraft maintains there is no require ment in Slovak law or the rules of the Bratislava Stock Exchange to change Figaro's disclosure policy. "We will hold the meeting and go through the agenda and we see no problem from

SGS-Thomson president upbeat India project

By David Owen in Parls

Mr Pasquale Pistorio expects SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer, to cootinue outperforming the industry average, in spite of growing competition in custom-made. or differentiated, products one of its strongest areas.

The SGS-Thomson president said in an ioterview with the Financial Times he was "really coovinced" the company had "fantastic" fundamentals. "The way we are structured, we should continue to outperform the market average."

Speaking within days of a plunge in the company's hitherto buoyant share price, triggered by his suggestion that pricing pres-sures might eat into firstquarter margins, Mr Pistorio acknowledged that "many more companies than in the past are looking at differenti-

ated products". But he argued that the complexity of the skills and technologies needed to be successful in the area were likely, for a time, to halp protect SGS-Thomson from this new competition. "It is not something you hulld overnight." ha said. "We have been working in this direction for 10 years and the pay-off is there."

Mr Pistorio said he expected little change in the baiance of the company's prod-uct portfolio. About 60 per cent of revenues are currently generated by differentiated products and 40 per cent hy standard products.

The prices of custom-made products tend to be less volatlle than those for commodlty chips, partly owing to the close relationship between manufacturer and customer that is usually entailed.

This is borne out by cur-rent pricing trends which, Mr Pistorio said, had seen commodity chip prices fall by 20-30 per cent. against a comparatively modest 5-8 per cent declioe for differentiated products.
The SGS-Thomson presi-

dent acknowledged being "a little bit disappointed" at the tumble taken hy the company's share price, which has fallen from FFr431 to FFr363.9 since Wednesday, wheo it unveiled results showing a 19 per ceot advance from \$526.5m to \$625.5m in 1996 net income.

His comments came as the French and Italian industry they attached a strategic interest to keeping the same number of ahares in the company in the hands of both countries.

A 17 per cent stake in SGS-Thomsoo currently owned hy Thomson-CSF, the French defence electronics group, is expected to change hands later this year.

VW in talks on

By Lisa Vaughan in New Delhi and Haig Simonian

Volkswagen. Germany's leading carmaker, has reactivated plans to build vehicles in India after talks between a senior executive and local

authorities. Mr Bernd Löhning, VW's head of government relations, sald the company could spend \$100m on a new plant in Bangalora this year. The project to build two models would be a joint venture with a leading domestic carmaker, with each partner holding equal shares.

We have been talking to two leading Indian car manufacturers and a declsion on the final selection will be made in a couple of weeks," he said yesterday. VW officials in Germany

confirmed the company had been examining the Indian market, hut denied a deci-sion was imminent. "The project has been at the feasibility stage for more than two years, but no decisions have yet been taken," tha company said. Mr Martin Posth, VW's

board member for Asia, said this month that the company conid spend between \$130 and \$150m to build up to 20,000 cars a year in India. Although VW had considered all its hrands, the project was most likely to involve Skoda, he said.

later build up-market Audi models, although the timing depended on Indian demand for executive cars.

Eicher, the Indian tractor and light truck group, is believed to be one of VW's two potential partners. Talka hetween the two companies fizzled ont last year, although VW denied they had broken down

irrevocably.

VW is the latest foreign carmaker to show interest in India since the market was deregulated in 1991. Since then, Korea's Hyun-

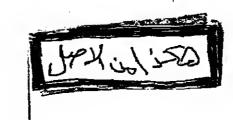
dai and Daewoo, Fiat and Peugeot from Europe, Ford of the US as well as Honda and Mitsubishi from Japan have announced hig investment plans.
Analysts said VW's tardi-

ness could count against it as the middle markat is becoming overcrowded, with manufacturers offering dis-

counts to lure buyers.
"Volkswagen is a very late entrant, and shouldn't look to build up its volumes before five years," said Mr Kapil Krishan, of Peregrine

Securities.

"The Indian market is very price-sensitive, and the medium segment will grow only slowly." Because the market is expected to take years to develop, foreign carmakers are expected to use India as an export base, he



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Brazil lets in more foreign banks

By Geoff Dyer in São Paulo

Three more foreign banks have been allowed in to Brszil's domestic market: Banco Santander, Spain's largest bank, Korea Exchange Bank and Société Générale, the largest commercial bank in

Low inflation and more stable economic conditions have encouraged foreign banks to expand their operations into Brazil over usually do this by buying small or struggling Brazilian banks

Mr Alkimar Moura, a director at the central bank, said that greater participation hy foreign banks in the domestic financial market was in the national interest because it would increase competition.

Banco Santander has been allowed to purchase a majorlty stake in Banco Geral do Comércio, which is owned by Camargo Corrèa, a large private construction group. lines of credit worth Banco Santander will he the central bank said.

able to operate in commer-

The Santander group already has a significant presence in Latin America, having made previous acquisitions in Mexico, Chile and Peru_

Korea Exchange Bank which was privatised in 1994, has been authorised to turn its representative office into a commercial banking opera tion and is expected to offer lines of credit worth \$1bn,

cial and retail banking in hopes Korea Exchange Bank will encourage further investment by Korean companies in Brazil.

Korean investment bas already reached \$3bn and is expected to be worth \$5bn by the end of the decade. Société Générale has been allowed to take complete control of Banco Sogeral, in which it already had a 50 per

In a further addition to the

The Brazilian government National Bank of New York opened an office in São Paulo earlier this month, marking the return of the bank's founder, Mr Edmond Safra, to the Brazilian bank

ing industry. Lebanese-born Mr Safra emigrated to Brazil in the 1940s, but left the country in 1956 to found his own firm in Geneva.

Mr Safra sold his staka in tha family husiness, now Banco Safra, ona of Brazil's list of foreign banks operat-ing in Brazil, Republic brothers, Joseph and Moise.

vatised fertiliser plants and

In the past five years,

GAN has invested more than

\$1hn to modernise produc-

tion facilities at Ahmsa's

mines and steelworks. Had

the investment not taken

placa, Ahmsa would not

have been abla to sell its

steel abroad when the deval-

uation of the peso caused

domestic demand to plum-

met. Before the devaluation

in December 1994, Ahmsa

exported less than 5 per cent

"With the revaluation of the

peso and the fall in world

steel prices, Ahmsa could

experience difficulties in

generating enough cash to

finance its investment pro-

gramme and repay its \$1.3bn

Analysts, therefore, are

urging Mr Autrey and Mr

Ancira to consolidate, Mis-

sion Energy pulled out of the

partnership in 1994, after

They have been geniuses

nies were to fall them, the

debt," she says.

in 1995.

a large coal mine.

Busang. groups lobby

Chief executives of three

However, Piacer Doma

of its production: two weeks Busang, with reserves of at least 57m ounces, is believed to be the blggest

> Mr Hasan's "main concern" was that Busang be developed "in a proper way, and that the partnership he harmonious".

Barrick earlier forged a

Jakarta

By Bernard Simon in Toronto and Manuels Saragosa in Jakarta

mining companies vying for control of the vast Busang gold deposit in Indonesia have arrived in Jakarta to press their case with Indonesian officials and advisers to President Suharto. The government has set a

one-month ultimatnm, expiring on February 17, for Bre-X Minerals, the small Calgary-based exploration company that discovered the deposit, to work out a deal with Toronto-based Barrick Gold and various local partners.

the Vanconver-based gold producer, has tried to prise Bre-X away by offering a "merger of equals" that would include a stake of up to 40 per cent in Busang for the government and other local interests.

Bre-X. which already has a market value of over \$4bn, would prefer an open bidding coutest among international mining groups.

after, Ahmsa had negotiated contracts to export more than im tonnes, or 43 per gold discovery this century. Mr John Willson, Placer's cent of its total production chief executive, bas been However, Ms Victoria Sanputting his case to indonetaella of Santander investsian officials for the past ment in New York estimates week. Mr Peter Munk. Bar-Ahmsa needs to invest an rick chairman, and Mr additional \$500m to become David Walsh, Bre-X chief a world-class steel producer. executive, arrived in Jakarta over the weekend.

Their presence reflects the networking and patronage that accompanies securing a contract in Indonesia. The government has title to the Busang property and controls the "contract of work" required before construction can start.

Mr Willson and Mr Walch are understood to have met Mr Muhamad "Bob" Hasan. the industrial timber tycoon, who is close to President Suharto, Mr Hasan recently bought a stake in two Indonesian companies with a minority interest in part of the deposit.

According to Mr Willson.

partnership with Ms Sitl Hardiyanti Rukmana, Mr Suharto's eldest danghter, while Bre-X signed a lucraAMERICAS NEWS DIGEST

Viasa cancels all flights

Viasa, the Venezuelan airline, remains on the verge of bankruptcy after cancelling all its flights and indefinitely grounding its 12 aircraft. Hundreds of passengers were stranded at Maiquatia airport outside Caracas. Viasa officials said passengers currently holding a Viasa ticket would be able to travel with other airlines, but they gave no details of how Viasa would reimburse passengers or pay other airlines.

Following weeks of failed attempts to implement an emargency cost-cutting plan, the airline's directors decided last week to halt services on all rontes indefinitely. It called on its principal shareholders, Spain's Iberia airline, and the Fondo de Inversiones de Venezuela (FIV), the state investment fund and privatisation agency, to resume negotiations, which had collapsed on January 15. A shareholders meeting had been called for February 8, when a final decision would be taken to either "recapitalise or liquidate Viasa". Raymond Colitt, Caracas

DLJ hires healthcare advisers

Donaldson, Lufkin & Jenrette, the US investment bank, has hired two big names from the pharmaceuticals industry to advise on investments in healthcare companies by a newly established group within DLJ, Global Health Care Partners. The group will invest private equity capital in domestic and international nealthcare companies.

Mr Henry Wendt, former chairman of SmithKline Beecham, will be the chariman of the new group and Mr Robert Cawthorn, former chairman and chief executive officer of Rhône-Poulenc Rorer, will be a managing director. Mr Douglas Rogers, an investment banker who has also founded several bealthcare companies, will also Tracy Corrigan, New York be a managing director.

NatSemi to sell Fairchild

National Semiconductor, the Silicon Valley chip maker, is to sell its Fairchild Semiconductor business unit. The deal calls for Fairchild's management, led by Mr Kirk Pond; a veteran National Semiconductor executive, and Sterling LLC, a Citicorp Venture Capital investment company, to lead a \$550m recapitalisation of Fairchild. National will retain a minority equity interest.

The deal is expected to close by May, the end of National's fiscal year. National said it expected to record a gain on the sale once divestment costs have been

Repap writes off C\$305m

Repap, a leading North American pulp and coated paper producer planning to merge with Avenor, bas written off C\$305.5m (US\$226.71m) to cover the shutdown of its Alcell alcohol pulping project. This produced a total 1996 loss of C\$496m, or C\$4.02 a share, against net profit of C\$140.1m, or C\$1.14, 1995. Revenues were \$1.7bn, down 17 per cent because of sharply lower pulp and coated paper prices.

Avenor plans to buy Repap for about C\$3bn by share exchange and assumption of Repap debt. Two-thirds of its sharebolders must approve the deal at a special meeting in Montreal on March 12. Robert Gibbens, Montreal

PDVSA re-brands

Petróleos de Venezuela (PDVSA), the state-owned oil company, announced its new brand name and logo "PDV". It will appear on some 100 oil derivative products and at 1,500 petrol stations in Venezuela formerly marketed and operated by the subsidiaries Lagoven, Corpoven and Maraven.

The move marks PDVSA's renewed effort to unify the marketing strategies of its subsidiaries and comes in preparation for the opening of the domestic retail petrol market to foreign participation. Under a legislative proposal before congress, PDVSA will relinquish its 20-year monopoly on the petrol market. The new brand is America. According to Mr Luis Giusti, president of PDVSA, "Deltaven has now become PDVSA's chief Raymond Collit, Caracas

Kimberly-Clark dips in Mexico

The continuing weakness of Mexico's domestic economy depressed both sales and operating profits at Kimberly-Clark de México, the country's higgest consumer products company. The Kimberly Clark Corporation of Texas bolds a minority stake in the

Analysis said the results of the paper products manufacturer were disappointing in the light of its acquisition of Crisoba, the local subsidiary of Scott Paper Company in the first quarter of last year.

For the year as a whole, Kimberly-Clark's sales stood at 9.1bn pesos (\$1.15bn), 3 per cent np on last year. Operating profit increased 6 per cent to 2.6bn pesos, while net income jumped 47 per cent to 2.1bn pesos. However, 1996 sales fell 19 per cent when compared with figures for both Kimberly-Clark and Crisoba for the previous year. Similarly, operating profit fell 16 per cent, while net income edged up 1 per cent.

Daniel Dombey, Mexico City

Laidlaw in Vancom buy

Laidlaw, the Canadian-based transport and waste management group, is huying the school bus operations of Vancom, tha third biggest company in this sector in the US and covering 150 school bus districts in seven states. The deal will expand Laidlaw's school bus revenues by about 10 per cent. Analysts estimate the deal is worth

A new generation of entrepreneurs

Xavier Autrey and Alonso Ancira head one of Mexico's largest business empires

t has taken Mr Xavier Autrey and Mr Alonso Ancira less than seven years to build one of Mexico's fastest-growing business empires: a \$3bn mining, chemical and steel conglomerate carved out of Mexico's privatisation drive in the early 1990s.

Mr Autrey and Mr Ancira, both in their early 40s, form part of a new generation of entrepreneurs who are beginning to rival the old industrial aristocracy.

Mexico's 1994 peso crisis, bowever, exposed their precarious position. Investors expressed concern over the amount of debt - \$1.3bn that had been taken on to modernise Altos Hornos de México (Ahmsa), the steel complex privatised in 1991. and that an attempt to float Ahmsa on the New York Stock Exchange had to be abandoned earlier this year. Mr Autrey and Mr Ancira nership fills them with say they will try again next pride. year, following the sale of \$85m of convertible notes on the NYSE in December.

The difficulty in raising capital has not curbed their appetite for acquisitions. in an interview at Ahmsa's steelworks in Monclova, a mining town in the northern state of Coahuila, Mr Autrey and Mr Ancira said they had been poised to bld for Cosoleacaque, a state-owned ammonia producer, when the Mexican government shelved its plans to privatise the petrochemical industry. Grupo Acerero del Norte, the bolding company for Mr Autrey's and Mr Ancira's investments, is now planning to bid for Venezuela's Siderurgica del Orinoco, the last Latin American steel company in state hands. It is also analysing a petrochemical project in Chile.

Mr Autrey and Mr Ancira when Mr Ancira convinced his old schoolfriend that "The old batteries lasted the coal and iron ore mines

there was money to be made from the government's overmanned and undercapitalised mines. Mr Autrey. wbose family has run Mexico's largest pharmaceutical distribution husiness for four generations, was the financial wizard wbo could make the plans work. "I am the operator and

Xavier is the financier, that's bow our partnership works," Mr Ancira explains. While be exudes energy and impatience, Mr Antrey anchors his partner's ideas with a more dispassionate financial mind. They grown in unison when reminded of their least successful gamble - a 7 per cent stake in Inverlat. Mexico's fifth largest bank, which has been whittled down to almost nothing following heavy losses that

"Real del Monte [a ailver mine privatised in 1989 that was their first investment] was in serious trouble," Mr Ancira recalls. "The mine employed 3,500 workers, but sold only \$24m-\$28m worth of silver a year, Cananea, by contrast, produced \$300m of silver with the same number

required a government bail-

out last year. Every other

aspect of their business part-

of workers. The mine was losing the equivalent of the entire value of its assets every year," Mr Autrey pitches in, "so we asked the government bow much it would cost to close down the mine, and we offered to invest the same amount in a business plan to keep the mine working." The deal was financed with a \$75.6m debt-swap, only \$6m of which was paid directly to the government. invested in the mine.

Raising productivity was were worth about \$90m."

Presafin - Sandretto Group

Under Extraordinary Administration

Notice of Participations Sale

with Obligation of Guarantee of Settlement The Commissioners of the Pressfin-Sandreim Group under Entraordinary Administration, belonging to the Focusar Group under Entraordinary Administration

they have received an irrevocable offer for the purchase of shares and sub-units representing the total equity of the following companies controlled by Presulin S.c.i. under Extraordinary Administration.

companies controlled by Frendin S.C.L under Extraordinary Administration.

Sandretto Industrio S.r.L. under Extraordinary Administration, Componenti Presso S.r.L. under Extraordinary Administration, Metadimensulon Plasst S.r.L. under Extraordinary Administration, Indoor S.r.L. under Extraordinary Administration, Indoor S.r.L. under Extraordinary Administration, Indoor S.r.L. under Extraordinary Administration, and the function of the Indoor S.r.L. under Extraordinary Administration, all herization S.r.L. is naturally ago under Extraordinary Administration, and herization as Indian Participations, and the following companies: Medianoccupies Plass S. V. (the Netherlands), Sandretto Industrio S.A. (France), Sandretto Plassics Medianoccupies, Inc. (USA), Sandretto (UK) Ltd. (Great Britain), Indipressors Sandretto S.A. (Spain), Metalinac Expandent Medianoccupies, pp. (Spain), Dentacles Sandretto Gouble in minding up (Germany), all herization defined as Foreign Participations.

The offer is indivisibly bound to the offerers' commitmeent, guaranteed by Stank Geazantee upon first request of Lit. 10 billion, to get the following companies - all under Extraordinary Administration - to present, subject to the authorizations of law, a proposal of settlement as per the art, 214 of R.D. so. 267 of March 16 1942 (the Bankropacy' Law) including the commitment to pay in full the secured creditors having credits admined in the following companies 'Statement of Liabilities', and partially pay the unsecured creditors according to the following percentages, on the basis of the respective amounts temporarily (on the basis of the liability statements and excepting oppositions under way or any cases of delayed admission) determined as follows, and excepting updatings by the Commissioners as provided for in the offer.

percentage offered to unsecured creditors

percentage offered to unsecured creditors

percentage offered to unsecured creditors

secured total unsecured total percentage offered to assecured creditors

The proposal of settlement moreover implies, for the two operative companies (Sandretto Industrie and Components presse), all the current relations necessary to carry on the business of the enterprise to be continued without any interruptions including the work relationships with all the enterprise on the purpoll, and the total payment, generated of a the conditions specified in the official by Brank guarantees upon first request or all debts incurred to curry on the business of the enterprise (the so-called pro-desirctions). The non-operative companies will continue - in bonis - the winding-up activity excepting the supressers; colonion in the contrary.

The offer provides the Italian Participations to be purchased at the symbolic consideration of Ltr. 1,000 each, and the Foreign

That being said, the Commissioners of Pression under Extraordinary Administration, which directly or indirectly owns the above-mentioned Italian Participations and Foreign Participations,

any interested party to present an ameliorative offer for the purchase of the Italian Participations and the Foreign Participa-tions, with the related and indivisible obligation of guarantee of the settlements at the same conditions as per the irrevocable offer already submitted to them and to fife it by 1.2 o'clock mid-day of the Italian 1997 is a sealed envelope at the office of the Notary Public in Turin, Antonio Maria Marotco, Corso Re Dapterto no. 8, Turin 10122.

The concerns to the aggregate represented by the above-mentioned Participations are detailed in the certified appraisal reports written by Prof. Glovanni Zmemi and Prof. Glau Maria Gros-Pietro on April 19th, 1996.

The entire documentation (offer received by the Commissioners, appraisal reports, flounds) statements and other information, if necessary) is filed at the disposal of any interested party at the office of the company Arthur Andersea, in Turin, Galleris San Pederium on, 54.

The offer must be seemed with a Bank Guarantee upon first request for the amount of lit, ten billion, and must be accompanied by a pledge from a primary bank to give Bank Guarantee for the execution of the contract, in compliance with the requirements of the 'Offer's', filed together with the 'Conditions of access to the documents' at the office of the company Arthur Andersen, at the disposal of whoever subsitist a request and collects, including by special proxy with powers, signing the declaration of receipt and declaration of acceptance of the conditions therein established.

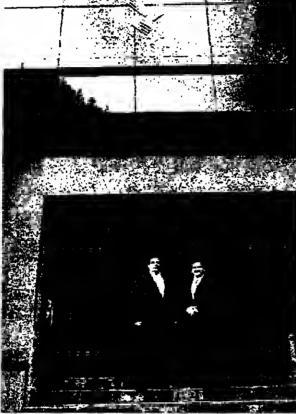
"This notice is published in English for information only. The only salid text is the ficilian one."

ording to the above procedure, more detailed in the offer, the offerers, if the proposal is accepted and the settlements roved and homologued with a res judican, will obtain the property of the so-called Sandretto Group, operating in a ling position in the sector of the plastic injection moulding machines manufacturing.

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Xavier Autrey (left) and Alonso Ancira, owners of GAN

only two honrs, which meant that miners spent most of their time travelling up and down sbafts to recharge them," Mr Ancira

Due to low world prices for silver, Real del Monte has never made a profit. But the mine was useful to Mr Autrey and Mr Ancira in "When the privatisation of Ahmsa came along in 1991."

Mr Ancira says, "we were able to raise bank loans on the strength of Real del Mon-The remaining monies were te's not inconsiderable assets, which we reckoned Mr Ancira and Mr Autre

knew nothing about steel, but we found a foreign partner - Hoogovens of the Netherlands - which was willing to act as our technological adviser," Mr Ancira says. "We also convinced Mission Energy, a subsidiary of Southern California Edison, the second-largest utility in the US, to join us. We planned to build coal-fired power plants once the Mexi-

that were sold with Ahmsa's

50-year-old steelworks. "We

the electricity sector." cash for Ahmea and

waiting in vain for the Mexican government to liberalise the energy sector. Mr Autrey and Mr Andra still owe the US utility \$86.5m, a debt they intend to repay by the turn of the century. at structuring leveraged buyouts," Ms Santaella says, "but if one of their compa-

can government liberalised Mission Energy took a 50 per cent stake in GAN, and together they paid \$145m in

whole edifice could fall like a pack of cards." Leslie Crawford

This is the second in a

batteries for miners' lamps. were mainly interested in absorbed \$350m its debt. in family-named companies. The with the president's eldest "The old batteries lasted the coal and iron ore mines 1992, GAN acquired four pri-AT&T begins attack on local telephone market

opening shot in its attack on all parts of the local count rate of 21.5 per cent, the \$100bn US local tele- markets. phone markets with a business service aimed at its long-distance customers.

The biggest US telecoms company said it would start offering local calling next Monday in California, and would extend the service across the country in the coming months.

The move marks AT&T's return to local calling after an absence of more than a decade. The company's local break-up of the Bell system

local calling service for 17 per cent discount, a small and medium-sized slightly less attractive rate businesses is likely to set the than in some other large AT&T yesterday fired the model for AT&T's attack on states. Texas has set a dis-

> Mr Robert Allen, chairof local calls in the US. AT&T said it would resell

California, rather than build markets. its own infrastructure. This fits with its plans in

and reflects the cost and time required to huild local Yesterday's launch of a ity to rivals like AT&T at a out-going local calls.

similar to that in New York.

AT&T is touting a simpliman, has set an ambitious fied pricing structure, rather target of seizing 30 per cent than fierce discounts, as a way of attracting customers. That echoes moves it made network capacity bought last year to introduce much from Pacific Telesis, the simpler pricing in the local carrier which serves long distance and wireless

At the same time, AT&T said it would start carrying other parts of the country, local calls for bigger companies that already have dedicated lines giving them digiexchanges were shed on the switches and other facilities. tal access to its network. Californian regulators Until later this year, though, require PacTel to sell capac- these lines will handle only

US hospital group issues \$2bn junk bond

By Lisa Bransten

Tenet Healthcare, the US hospital company, yesterday tapped US markets for \$2bn in the largest junk bond issue since 1989, when RJR Nahisco sold debt to finance the leveraged buy-out by Kohlberg Kravis Roberts. Soaring demand for high-

yield paper contributed to a near-record level of issuance last year, and has brought yields on such debt to historically low levels in relation to Treasury bonds. Demand for the new Tenet

deht was so strong that the total amount was increased more than 50 per cent from the planned \$1.3bn, Tenet carries a rating of BB/Bal, just below investment grade, from Standard

& Poor's and Moody's Inves-

tors Service, the two leading credit rating agencies. The largest tranche, \$900m

Junk bond issuance



priced at 147 basis points, or issued last year was the nearly 1.5 percentage points, surge in merger and acquisi-above 10-year Treasuries and tion activity, which created the spread narrowed about strong demand for new capl-12 hasis points as trading tal and led to a wave of hegan yesterday morning. refinancing.
About \$67hn worth of Donaldson, Lufkin & Jenrette, the US investment bigh-yield debt was issued bank, was the lead underwriter.

last year, just below the record \$68hn in 1993, accord-One factor behind the ing to S&P, and about \$4bn of eight-year debt, was large amount of junk debt in junk debt was priced in dapartment at Massachu-

the first three weeks of this setts Financial Services.

Another driving force behind the flood of new junk debt is strong demand from investors. According to Ms Diane Vazza, head of fixedincome research at S&P, the nverage yield on debt one step below investment grade came in nearly a full percentage point in relation to Treasuries over the course of the year. Mr Bennett Goodman,

managing director of DLJ's high-yield bond department. said investors are generally more comfortable with subinvestment grade debt than they were in the early 1990s. The large issuance and low yield levels bave led to worries that a market cor-rection is imminent. "We think the market represents good value, but it is a time when you want to be careful," said Ms Joan Batch

eldar, head of the bigh yield

Overall, the credit quality

of issuers is much stronger

than it was during the 1980s. when Mr Michael Milken of Drexal Burnham Lambert dominated the market In the late 1980s, the debt averaged 8-10 times cash flow, whereas that ratio is now down to 4-7 times cash flow. The number of defaults has also dropped sharply, according to S&P research. Last year, 14 issnars defaulted on \$3.6bn worth of debt, less than half the rate seen in 1995 and well below the record 65 defaults on \$20bn in 1991.

there was little doubt that the rate of defaults would rise, but a market collapse was unlikely. The conditions that led to the junk bond market crash in the early 1990s - including an illiquid market, the collapse of Drexel and global recession - are not present, she said.

Ms Vazza, of S&P, said

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COMPANIES AND FINANCE: ASIA-PACIFIC

Japan's banks near danger zone as 'Big Bang' looms

Moody's downgrading of ratings outlooks confirms the problems faced by the sector as it prepares for planned deregulation

apan's banks are heading some observers warn? All the fig- likely to come in below Y540bn as towards the March 31 business year-end with their assets eroded by the stock market's recent plunges, their mountain of bad loans little diminished and prospects of stiff competition looming in the government's planned "Big Bang" deregulation package.

The news that Moody's, the international credit rating capital position, and when they agency, on Monday downgraded its ratings outlook for four of minimum capital adequacy ratios Japan's top 20 banks from "sta-

yesterday's rout on the Tokyo atock markat. Bank shares, which account for about onesixth of total market capitalisation, fell nearly 5 per cent as a

Last year, banks' share prices fell 44 per cent. Since the beginning of this year, they have slid a further 10.5 per cent.

Some are performing better than others, but all have suffered from growing fears about their mability to meet the competition that will be ushered in by sweep-

dens, the erosion of unrealised gains on equity portfolios and their dwindling lending business, suggest trouble

Under the broadest definition, however, banks are in crisis when they are unable to obtain funds at any price, when their can no longer meet the 8 per cent set by the Bank for International ble" to "negative", further shook investor confidence.

A sell-off of bank shares led

A sell-off of bank shares led

"In a crisis, banks would also have to go, cap in hand, to the is in place. central bank for help," he says. For the year to March 31, the stronger banks, such as Tokyo-Mitsubishi, will show a relatively

high level of core earnings. Even so, declared profits will be much lower than earlier forecasts, notes Mr Waterhouse, who forecast tha recent downward revision by Mitsubishi Trust and Banking for 1996 net profit, from Y130bn to Y85bn (\$715.4m), owing to write-offs of collateral.

There is more to come, with Are Japan'a banks in crisis, as net profits for the top 20 banks accounting policies.

ures, including the bad debt bur- against earlier projections

estimates. None of Japan's top 20 banks are in crisis, but several are heading into the danger zone, as

suggested by Moody's. The four banks downgraded by the agency are among the weaker losses have eaten through their of the top 20, but their problems are familiar nightmares for all Japanese banks. So, too, are the growing doubts

among investors about the government's willingness to contha 20 biggest banks once its plan corporations in exchange for to deregulate the financial sector In the past, official willingness

- Moody's calls it "forbearance and protection" - to cushion the banks has been one of the main attractions for investors. That cushion is growing thinner by the day.

The government's ambitious plan to deregulate the financial sector and remove barriers between previously highly protected fields of the banking business calls for greater market discipline and more transparent

of Y2,000bn, according to HSBC financial institutions will likely decrease, and associated credit risk will increase over the

medium term," Moody's said. Deregulation always implies a squeeze on profit margins as competition intensifies. Mr Jesper Koll, of J.P. Morgan, points to the steady dismantling of crossshareholdings among Japanese institutional and corporate investors in the past three years and to the resulting weakening of the cosy system in which banks tinue guaranteeing the safety of retain long-term shareholdings in some control over the company's

> management. The implication, Mr Koll says, is that corporations are increasingly bypassing the "main bank" system and turning to deregulated financial markets for funds.

In 1995 and 1996, securitisation was the principal source of corporate funding, for the first time ontpacing straight borrowing. "Just as in the US about a decade ago, the traditional role of banks in financial intermediation is becoming somewhat obsolete." Mr Koll says.

"The problem is, bowever, that

regulatory support for Japanese progress in developing new profit non-performing loans would has wiped out more than half the centres," be adds.

The drop of 96 per cent in the bond-trading profits of Japan's 10 city banks in the first half of the business yaar indicate little improvement in banks' manage-

ment of assets and liabilities. Japanese banks are already encountering more difficulty obtaining funds overseas, and Moody's downgrading is likely to increase further the Japan premium" - the additional charge imposed on Japanese banks borrowing in the international interbank market.

dding to the banking industry's woes is the spectre of more corporate bankruptcies, already approaching the record levels of 1995.

The plunging stock market is exacerbating the strain on already troubled companies, particularly those in the non-bank sector of independent lenders. This, in turn, puts further strain on the main creditors - the banks.

The bad debt held by Japanese banks is believed to be about double the official figure of declina of nearly 11 per cent

amount to more than 10 per cent latent profits at the top 20 banks of the aggregate loan portfolios of the leading banks.

Several factors could tip the banks into crisis, analysts say. including the continuing decline of the stock market, which would wipe ont the banks' latent profits on their equity portfolios.

Interest rates, which are at rock bottom, remain a wild card. "They can't remain low forever, and if they begin to rise, that's a different picture altogether," one

Deregulation, though it will ultimately reward the winners. will weigh heavily on the weaker banks. Too much deregulation too soon - before banks bave resolved their bad-loan mess would be "simply disastrous". according to HSBC James Capel's Mr Waterhouse.

Japan's top banks rely far more than their international counterparts on unrealised gains on their equity holdings to bolster their financial position and meet minimum capital adequacy requirements.

The stock market's sbarp

"Consequently, the implicit Japan's banks have shown no Y19,935bn. At nearly Y40,000bn, since the beginning of the year since the last official reporting

period in September. In the current circumstances the most serious consequence for tha banks will be a significant delay in clearing up their baddebt problem. That delay, in turn, could slow the govern-

ment's pace of reform. So the banks must decide early next month on how to close their 1996-97 books.

Given the bleak outlook for Tokyo stock market, this may mean selling off domestic and foreign bond holdings to compensate for stock losses and, if things get worse, selling off some of their equity holdings.

Such sell-offs, however, would leave the banks dangerously exposed to further stock market declines.

In the short-term, the critical date is March 31, valuation and reporting day. Banks that fail to meet the BIS ratio can expect to see their risk profile soar, and a further increase in the cost of raising funds oversea

Gwen Robinson

ASIA-PACIFIC NEWS DIGEST

Malayan bank advances 39%

Malayan Banking (Maybank), Malaysia's biggest banking group, announced a rise in interim net profit of 39 per cent for the six months to December 31 1996. The company put the gains down to greater productivity. wider interest margins and an increase in loans.

The group reported net profits of M\$654.57m (US\$161.45) for the six months. The 39 per cent increase exceeded the forecasts of analysts who had expected the company to announce net profits of around M\$600m.

Pre-tax profit was M\$1.064bn, an increase of 36 per cent from the same period a year earlier. Earnings per share were 57.2 cents, up from 41.1 cents. Maybank maintained its loan growth at 17 per cent, while deposit growth declined to 17 per cent, from 28 per cent in the

corresponding period in 1995. Mr Amirsham Aziz, managing director, said the sale of Maybank's subsidiary, Kwong Yik Bank, during the period would not have an adverse affect on group earnings in the second half of the accounting year.

Lippo in HK\$697m sell-off

Lippo, the listed holding for the Hong Kong business empire of Mr Mochtar Riady, the Indonesian tycoon, has sold off HK\$697m (US\$90m) of property development of them a Lippo subsidiary.

China Travel Service is to pay HK\$370m for a vehicle which has stakes in China Travel Lippo Development (Hong Kong), which indirectly participates in a Chinaproperty development project. China Travel Service is the controlling shareholder of China Travel International, the Hong Kong-listed travel, tourism and investment group.

China Travel International earlier this month raised HK\$2.5bn through a share placement, sparking speculation it was about to embark on a spending spree which could entail purchasing assets from the parent

Hongkong China, Lippo's 72 per cent owned property investment and development arm, acquired HK\$326.8m of stakes in a commercial property and a metro

The disposals follow a restructuring of shareholdings at Louise Lucas, Hong Kong Indonesia's Lippo Group.

Coastal powers Indian plant

Indian Aluminium (Indal), the country's third-largest aluminium group, which is 35 per cent owned by Alcan of Canada, has signed a power purchase agreement with Coastal Power of the US.

Coastal Power is to build a 100MW plant at Belgaum in the south Indian state of Karnataka. The Rs3.5bn (\$97.77m) project has received most of the necessary clearances from federal and state governments: The plant will be working by the middle of 1998.

Indal's 40,000-tonne-a-year smelter at Belgaum is idle because government-owned utilities are failing to supply power. The company plans to invest nearly Rs5.5bn in expanding the capacity of the Belgaum smelter and alumina plant once the power unit becomes operational.

Indal's 30,000-tonne-a-year smelter in Orissa, backed by a captive power plant and scrap recycling factory in Maharashtra, is working well. However, the smelter at Alupuram remains a victim of an acute power crisis in Kunal Bose, Calcutto the southern state of Kerala.

Dutch banks lend to Piltel

Three Dutch financial institutions said yesterday they expected to sign a \$110m loan agreement for Pilipino Telephone Corporation (Piltel), the Philippine's leading cellular telecommunications group, by end March.

The three are ING Bank, ABN Amro Bank and tha Netherlands Development Finance Corporation. Piltel, a subsidiary of the former state-owned Philippine Long Distance Telephone Company, will use the syndicated term loan facility to build a fixed telaphone network of over 400,000 lines in the southern island of Mindanao. The total cost of the project is \$350m. Piltel has 46 per cent of the Philippines' cellular market.

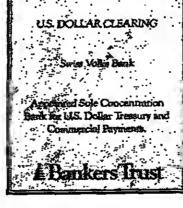
Foreign companies have been largely deterred from investing in Mindanao which has no infrastructure and where sporadic fighting with armed insurgent groups continues. Efforts to develop the region moved a step forward last year with the peace deal signed with the MNLF, the country's largest Muslim separatist group Justin Marozzi, Manila after 24 years of fighting.

Kyocera cuts profit forecast

Kyocera, the Japanese caramics and electronics conglomerate, has cut the pre-tax profit forecast for the holding company for the year to March 1997 from Y103bn forecast earlier, to Y96.5bn (\$812m). Revenue is now seen at Y520bn, down from Y536bn forecast earlier, with net profit seen at Y48bn, down from an estimated Y51bn.

Kyocera blamed the downgrade on weak demand for mobile telephones in the wake of changes in sales promotion activities of telecom carriers. Kyocera said the telecom sector was expected to see continued buoyant AFX Asia, Tokyo





It is not enough to simply acknowledge the strength of others, you must also have the knowledge and skills to use it wisely. When Swiss Volks Bank (SVB), a leading Swiss bank and a subsidiary of Credit Suisse, was looking to consolidate their network of correspondent banks for U.S. currency from 50 down to one, they chose Bankers Trust. We offered them proven excellence in correspondent banking services, including Direct

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COMPANIES AND FINANCE: THE AMERICAS / EUROPE

Nortel shares slip despite profit advance

totalling \$65m.

least 15 per cent.

forecasts.

expectations.

another strong year ahead

with earnings rising by at

But one analyst said the

recent run-up in Nortel shares reflected hopes that

the company might exceed

hit hy signs of softening

demand for switching equipment, whose contribution to

total sales fell to 35 per cent

last year from 40 per cent in

1995, including a slight drop

According to the analyst,

in fourth-quarter revenues.

legal wrangling over tele-

coms deregulation in the US

has led some phone compa-

nies to delay orders for cen-

Some of those left through

Proceeds from disposals

were more than \$850m, com-

pared with a previously

That allowed the company

to reduce its net debt from

almost \$3bn at the end of

1995, to \$2,38bn at the end

Leading the sales growth

was heart drug Lovenox,

with sales of \$401m. com-

RPR is unusual among

large drugs companies in

having its sales spread

evenly through scores of

products. Lovenox is its first

product to achieve sales of

Mr de Rosen said that

another of the company's

recent launches, cancer drug

best in the US, where sales

grew 13 per cent, faster than

US drug sales as a whole.

The slowest growth of 1.5

per cent was in France,

roughly in line with the mar-

Mr de Rosen said RPR did

not intend to make large

ecquisitions during 1997. "We are farming, not hunt-

\$400m in a year.

The sharp rise in profit- Taxotere, had 1996 sales of

ability was largely the result \$89m. It was launched in of cost savings after RPR most markets only in the

took over Fisons of the UK second quarter of 1996. In 1995. Mr Michel de Rosen, Geographically, RPR did

ket there.

pared with \$303m in 1995.

businesses being sold.

stated target of \$750m.

tral office switches.

Nortel.

RPR predicts

7% sales rise

The share price was also

By Bernard Simon

Northern Telecom, the Toronto-hased telecoms equipment supplier, ended 1996 on a strong note, with earnings up 26 per cent and record order inflows.

However, investors were unimpressed. Nortel's shares, which have surged in the past month, dipped 88 cents to \$68.38 in early trading in New York yesterday.

Separately, Nortel will announce today that it is exercising an option to acquire a 20 per cent stake Telrad, the telecoms arm of Koor Industries, the Israeli industrial group.

The deal, valued at about \$40m, will enable both companies to gain toeholds in new markets Nortel's earnings climbed

to US\$623m, or \$2.40 a share, in 1996 from \$473m, or \$1.85. the previous year. Revenues rose 20 per cent to \$12.9hn.

Fourth-quarter earnings advanced to \$319m, or \$1.23, from \$250m, or 98 cents, a year earlier. Order inflows reached \$5.27bn, up 41 per

Mr Jean Mouty, chief executive, said Nortel's balance

Rhône-Poulenc Rorer, the US

pharmaceuticals company

controlled by Rhône-Poul-

enc, the French chemicals

company, said yesterday its

sales would rise hy more

This would be in line with

market growth, but an

improvement on the compa-

ny's sales growth last year.

In 1996 sales were \$5.4hn,

compared with \$5.3hn in

1995. Excluding disposals

and currency factors, 1996

than in 1995.

\$300m in 1997.

sales were 6 per cent higher

In 1996, RPR's earnings per

share and net profits both

rose 25 per cent: earings per

share from \$2.53 to \$3.16, and

net profits from \$341.6m to

chairman, said thet those

savings were worth \$150m in

1996 and would he worth

Profits would have heen

higher but for the costs of a

product recall at Centeon

LCC, its joint venture with Hoechst of Germany. RPR shed 2,800 employees

in 1996, which was about 10

per cent of the workforce. ing," he said.

than 7 per cent this year.

By Daniel Green

shares sheet has also improved

Mr John Malnne, chief executive of Telecommunimarkedly, with ebout \$750m cations Inc (TCI), the largest in cash on hand, and a cuscable company in the US, tomer financing reserve has taken urgent remedial Mr Monty predicted action. If that does not succeed in rescuing the share price, he will buy back "a lot " of the company's stock.
TCI took action after dislatest earnings roughly matched analysts' appointing third quarter

act to lift

Profits were hurt hy investments in future software systems. Another damper was the loss of 70,000 cahle snscrihers. Money raised by spinning off Primestar, the company's satellite system, was not included in the third

quarter results. Mr Malone cut 2,500 jobs. reduced executive salaries hy between 5 to 20 per cent and "slammed the hrakes on" a capital investment programme for a period of reassessment. This was in large part aimed at keeping TCTe investment bond rating.

Wireless and broadband networks have emerged as Within the next two the mainsprings of growth at months, the TCI chief executive will announce his new The relatively new wirestrategy for up-grading the company's cable networks less business now makes up almost one-fifth of revenues, for digital and data commuwith a 60 per cent jump in

In an interview last week, Mr Malone said he believed his new flexible strategy. using a mixture of old and new technologies, would be cost-effective.

"If the plans are success ful and we really start to generate the kind of cash that we are capable of generating, either the stock is going to go up or we are going to hny a lot of it back," he said.

Mr Malone recalled that in the early 1970s the company bought back almost 45 per cent of its stock "because the equity market didn't believe what we helieved".

TCI could also add to shareholder value by continmining to create new busis and floating them off eparately, he said. Mr Malone is concerned

that Telecommunications International (Tinta), the company's international arm, is priced too cheaply. Tinta includes the controlling interest in Flextech, the cable and satellite programmer in the UK, a stake in

Telewest, the second largest

cable operator in the UK. and programming and cable distribution companies lu "If you add (TCI's stakes in) Telewest and Flextech together, you have got the whole market capitalisation of Tinta. So Tinta is awfully cheap and we probably

would do something about

that," said Mr Malone.

Depending on tax rulings hy the Internal Revenue Service, the "something" is likely to be spinning off Tinta, 82 per cent of which is owned by TCI.

TCI chief | Wallenberg lieutenant to head Volvo vows to attempted to play down the Wallen- tor intn a phalanx of different husinesses, ranging from mineral water

By Greg Mctvor in Stockholm

Volvo has broken with tradition. For years it has been the main industrial counterweight to Sweden's Wallenherg empire. But yesterday it appointed its first chief executive from the orbit of Europe's most powerful corporate dynasty.

There is no doubting Mr Lelf Johansson's qualifications. At Electrolux, one of a sheaf of top Wallenberg companies, he carved out a reputation as one of the family's brightest young lieutenants.

But the question exercising observers in Stockholm yesterday was to what extent his appointment would extend Wallenberg influence over Volvo, Sweden'e largest non-Wallenberg company.

Mr Johansson emphasised that he intended to preserve a close relationship with the Wallenberg sphere. His arrival means a trio of Wallenberg allies will now sit on tha Volvo board - Mr Johansson, Mr Bert-Olof Svanholm, Volvo chairman, and Mr Björn Svedberg, chief executive of Skandinaviska Enskilda Banken, the

Walleoberg-controlled bank. However, Mr Johansson announced he was quitting the board of Scania, the Swedish truckmaker controlled by Investor, the main Wallenberg holding company. Scania is a close competitor to Volvo in truck production.

Mr Svanholm, a former head of the Swedish half of ABB, the Swedish-Swiss electrical engineering group in which the Wallenbergs are significant sbareholdere, yesterday berg incursion at Volvo.

Two-thirds of Swedish industry was run hy Wallenberg companies, making it impossible for outside corporations not to recruit from them,

The Wallenbergs directly or indirectly control about 40 per cent of the Stockholm hourse, including such companiee as Atlas Copco; Astra, the pharmacenticals group; SKF, the ball-bearing maker, Stora, the forestry group; and Ericsson, the telecommunications group.

Mr Pehr Gyllenhammar, Volvo'e former chairman, sought to offset this concentration of power hy positioning Volvo as a rival force to the Wallenbergs in the 1970s and 1980s. That process led to the expansion

to pharmaceuticals. When Mr Gyllenhammar resigned amid the wreckage of Volvo's abor-

tive merger with Renault in 1998. Mr Gyll implemented a SKr40bn (25.6bn) programme of non-core disposals - a process which is nearing completion. In pure ownership terms, the Wallenherg influence over Volvo remeins modest. SE-Banken is Vnlvo's fifth higgest shareholder. with a 4.8 per cent voting stake

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through its saving funds. Mr Karl-Johan Bonnevier, of Kleinwort Benson in London, said Mr Johansson's appointment underlined that "the Gyllenhammer era. when Volvo tried to be one of the two power blocs of Swedish industry, is definitely over". of Volvo beyond the automotive sec-

and family with

companies Eskla

Small player exposes its vulnerability

1. Knut & Alice

esterday's slight rise in Volvo's share price was a telling comment from the market on the company's position in

the motor industry. By marking up the stock after the departure of Mr Soren Gyll, the group chief executive who had made a principle of maintaining Volvo as an independent carmaker, dealers were pricing some restructuring potential into the stock.

The reaction may have been ironic in view of Volvo's strategy of raising cash through disposals to concentrate on its automotive operations. But it was also a recognition of the fact that, for many. Volvn remains the most vulnerable of Europe's car companies after the collapse of its planned merger with Renault in 1993.

"Sören Gyll is the individual associated with the independence of Volvo as a car company", said Mr John Lawson, motor industry analyst at Salomon Brothers, in London. "The change in personnel could lead to a more open-minded approach."

Volvo has two distinct sides as a vehicles group. In cars, it suffers from a narrow product range, low volumes and a distinctly regional production base.

Its reputation is built on its hig saloons and, to a lesser extent, its mid-sized models. But while those have generated profits in the past, it is increasingly uncertain that such a narrow product range is enough to remain competitive.

BMW, Mercedes-Benz and Audi, Volvo's three bigger rivals, are all investing heavily to diversify into smaller vehicles.

They argue a broader mies of scale. Many analysts niche vehicles to its line-up. believe a carmaker needs to build at least 1m units a year to remain competitive. By contrast, Volvo's growth plans envisage an appreciably more modest rise in output from about 350,000 cars last year to 500,000 by the turn of the century.

Volvo is also at a disadvantage geographically. Some 60 per cent of production is in Sweden, where the

company generates only 10 The Wallenberg empire: astride Sweden per cent of its sales. All its factories are in As at 18/2/96 (the numbers represent vote percentages, within brackets capital percentages high-cost Europe. Volvo huilds cars in Sweden and Belginm, with additional output through the NedCar

The Hague. While BMW, Mercedes-Benz and Audi face similar cost disadvantages, all three have been moving to reduce their cost base and broaden their geographical coverage hy establishing factories in cheaper locations. Volvo, by contrast, has lecked the

joint venture in the Nether-

lands with Japan'e Mitsubi-

shi and the government in

resources for such a step. The vulnerability of Volvo as a relatively small player was illustrated in the third quarter of 1996, when operating profits were almost erased by poor returns from its car division, where the operating margin was only 1.9 per cent - an unsustaina-

ble figure in the long run. in spite of also reporting losses in its US truck operations, the overall picture in commercial vehicles is more positive than in cars. The company is tha world'a second biggest maker of heavy trucks after Mercedes-Benz and is also a significant force in huses. It has an enviable reputation for its products, with the FH beavy truck being one of the bestselling vehicles in its field. The business is also well balanced geographically although it has run into difficulties recently in the US

and South America. Volvo's response to its imbalance has been to invest heavily in cars to broaden its range and raise output. The company has steered clear of moving in to small cars.

Instead it is seeking to Last year, it launched the S40 and V40, saloon and estate cars which are the first fruits of the NedCar joint venture. They have been followed this year with the C70 - a coupe and convertible - and a revised version of the best-selling 850 saloon and estate car range, dubbed the \$70 and V70. What remains to be seen is

provide the extra volume required. Most analysts have heen willing to give Mr Gyll want to acquaint himself the henefit of the doubt, more closely with the busicushioned by Volvo's

SKr15hn (\$2.08hn) cash pile. No rapid shift in Volvo's strategy is likely in the immediate aftermath of the whether these and other appointment of Mr Leif the new products to prove

planned new models will Johansson as Mr Gyil's suc- whether Volvo really does cessor because, as a motor have a long-term future as industry novice, he will

> ness in the initial stages. But be will be keenly aware of the need to hoost Volvo's international com-

an independent carmaker. If

OM Grupper Kinnevík 4.2 24.5 (21.5) +25.8 (22.4) 4.1 16.6 Atlas Copco S-E-Banker TV 4 Scanla 24.7 15.4 50% sold 20% Fjärde AP-Fonde Fabege Kinnevik Fjärde AP-Fonden 100 SKF Aranas Diligentia 7.0 21.5 Incentive Astra Store Orrefors EB-stiftelse Gambro Staten **Bectrolux** 50.0 -- / 11 100 · DDL ABA SPP 2/7

MD Class Dehiblick Chair Peter Wallen

PIRELLI TYRE HOLDING N.V. Estoblished in Amsterdam

Shareholders are herewith invited to attend ao

Extraordinary General Meeting of Shareholders

to be held on Thursday 13 February 1997 at 15.00 hours in the New York Room of the World Trade Center, Strawinskylaan 1, Amsterdam.

The agenda is as fullows:

i. Opening

2. Information on Pirelli S.p.A.'s public hid on the remaining outstending shares

3. Any other husiness

4. Closing

Halders of bearer shares who (in person or hy proxy) wish to attend the meeting must have lodged their shares ant later than Monday 10 February 1997 at one of the following hanks who will subsequently send them a receipt which will serve as entrance ticket:

in the Netherlands at MeesPierson N.V., Amsterdam

in Beigium at Generale Bank, Brussels

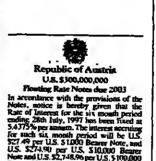
in Germany at Dresdner Bank A.G., Frankfurt a.M. in Italy at Credita Italiano, Milan

in Switzerland at Swiss Bank Corporation, Zürich in the United Kingdom at Midland Bank PLC, London

The agenda together with the information memorandum is aveilable and can be obtained upon request free of charge from the Company's office and the principal offices of the above mentioned banks, as well as from ABN AMRO Bank N.V., Herengrauht 595, Amsterdam.

The Board of Management The Supervisory Board

27 January 1997 Strawinskyluan 627 1077 XX Amsterdum



23rd James, 1997

£50,000,000 Floating Rate Notes Due 2005 In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month Interest Period from Jund including 1 27th January 1997 to that excluding 1 28th April 1997 the Notes will carry a rate of interest of 6.9375 per cont per amunt. The relevant Interest Description 1 2 the milk to the contract of t amount. The relevant Inserest Payment Date will be 28th April 1997. The coupon amount per £1,000,000.00 Note will be £17,296.23 payable against surrender of Coupon No; 29,

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edition every Friday. For further information please Toby Finden-Crofts +44 0171 873 3456

U.S. \$75,000,000

SWEDBANK

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£9,098.00 per Class A2 Note £0.00 per Class A3 Note

on the next Interest Payment Date, being January 31st, 1997. MORTGAGE SECURITIES (NO.3) PLC Dated: January 28th, 1997

COLT Telecom Group plc "清明,法是人 NASDAQ Symbol: COLTY かけるがというは 間ではないない SPONSORED AMERICAN DEPOSITARY RECEIPT (ADR) FACILITY Established by For information please contact Kenneth A. Lopian (212) 815-2084 in New York or Mark Wilson (0171) 322-6323 in London. · 地名 · · E-Mail: ADR@BankofNY.com This announcement appears as a matter of record only.

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not, and possibly with Mr Johansson's blessing, there is always Mitsuhishi waiting in the wings. Haig Simonian and

Greg McIvor

BRITANNIA

BUILDING SOCIETY

Issue of np to

COMPANIES AND FINANCE: UK

Clyde claims Gulf bid falls £103m short

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E. STATION MALE

2000

Gred Web

Clyde Petroleum, the UK oil independent, is today expec-ted to argue that it is worth about 130p a share, or £103m (\$172m) more than the £432m Resources in its hostile take-

The valuation - to be pubdefence document - com-

Geest gives

84.5p when the Canadian oil and gas group announced its bid in December.

Clyde, using a report commissioned from Energy Resource Consultants, is set to argue that new informsoffered by Gulf Canada tion on production and reserves has added to its

Clyde's shares eased to lisbed in Clyde's final 118%p yesterday, having nation of the business as a been consistently higher pares with a share price of than the 105p a share offer record should be taken into

price since the bid was launched. Several analysts said that

the ERC report would give Clyde a "core asset value" of "somawhere north of 100p" to match the bid. The rest of the valuation is expected to be made up of a "reinvestment premium". This relates going concern and its track

Hanson is expected today to

mark the final phase of its

four-way demerger by outlin-

ing ambitious expansion

plans for Energy Group, its

coal and power arm, and

better-than-expected trading

agures from its remaining

Listing particulars for

hnilding

RESULTS

Mr Malcolm Gourlay, Clyde's chairman, said: "Clyde is not in liquidation. It is e thriving business. The

Eastern Group, the UK util-ity company, and US coal producer Peabody ~ will

emphasise a "more global"

strategic direction. The doc-

ument, due to be published

today, is likely to show that

Energy Group's directors are

concentrating on acquisition

and investment opportuni-

ties in North America and

Company officials say the

0.251 0.015 46.64 2.24 9.41 2.24 0.06

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(2.68§§) (0.476)

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(0.684L4) (0.271)

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south-east Asia.

Energy Group - comprising particulars will show Energy

8 mths to Sept 30 1.87

. Yr to Dec 31 599

Earnings shown basic. Dividends shown net, Figures in brockets are for corresp

88.3

market knows that a successful business sells for more than just the value of its inventory." Some analysts believe that Gulf will be forced to raise its offer to win the battle, with the most likely price

investor said yesterday that Clyde had already convinced it and the market that 105p was not high

Gulf, which has not yet met any of the four large sharebolders which own almost half of Clyde, has another week to increase its

However, Mr Dick Auchinleck, senior vice president,

Group can rely on "some pretty robust financial fig-

ures" to fund its expansion.

For the 12 months to last

September the company

reported pre-tax profits of

£446m (\$744.8m) on turnover

of £3.76bn, and boasted uet

Shareholders in "new Han-

son", meanwhile, will tomor-

row receive a circular show-

ing - for the first time - a

detailed three-year hreak-

13.952

Feb 28

oruting period. AAlter exceptional charge. VAfter exceptional credit. †On increased capital

1.325 1.7

assets of some £6.8bn.

was already st s premium to what it saw as a net asset value. "We did not expect to come into town and steal this bot we are not going to pay an unrealistic price either." Before the bid was launched analysts used net asset values of between 75p and 88p.

Clyde will also produce its 1996 results and new cash

mance of its aggregates,

bricks, cranes and electrica

Hansoo insiders say they

will demonstrate improved

"although analysts will

begin to realise that there is

In the short term, that

effort is expected to focus on

removing management

25.7322

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duplication in the US.

a lot to be improved upon"

equipment interests.

trading by those busine

HoF to shed 1,000 jobs in restructuring

By Peggy Hollinger

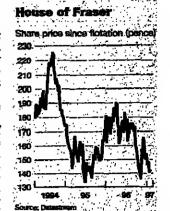
more than 1,000 jobs in a wide-ranging restructuring which is expected to provide initial cost savings of about £10m (\$16m) a year and result in the sale or closure of three department stores. Mr John Coleman, chief

executive, unveiled the restructuring yesterday in an unexpectedly upbeat Christmas trading statement. The group reported a 6.1 per cent increase in comparable sales from existing stores for the 26 weeks to January 25.

"It is nice occasionally to say that not everything in House of Fraser is bad," said Mr Coleman, who was appointed following institutional pressure for a management shake-up in April. "And I do not think a 6 per cent increase is bad at all." Sales in the immediate run-up to Christmas bad shown like-for-like increases similar to that achieved for the 26 weeks, he said.

There was some relief in the market that House of Fraser, which has disappointed consistently since its ill-starred flotation in 1994, had not suffered a decline in December trading. The group had increased gross margins by 0.2 percentage points in the period, although analysts questioned whether this had been enhanced by the use of

People feared they would have to downgrade profit April.



forecasts," said one analyst Instead, forecasts for the year were left at about £14.5m before exceptional charges, against last year's £14m.

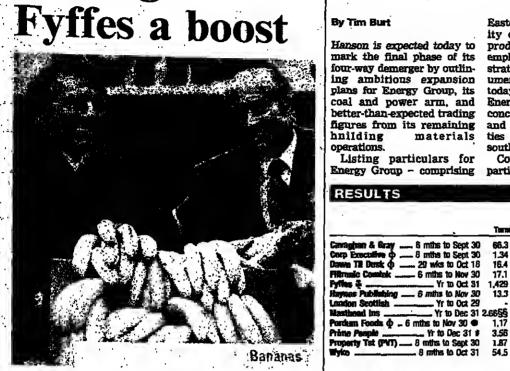
The statement also set out details of Mr Coleman's recovery plan for House of Fraser, which will cost the group £49m in axceptional charges this year.

The job losses - equal to about 11 per cent of the 9,000-strong workforce - are expected to cost £12m-£15m in exceptionals and will affect all the group's 48 stores, mainly at managerial level. It does not include the 300 employees in the stores targeted for disposal.

The group is taking a further £22m-£25m charge to clear old stock bought under previous management

The group expects to take £7m-£9m write-down on the assets in the annual results to be announced in

Hanson to unveil Energy plans



Neil McCann (left), group chairman, and John Ellis

Bv David Blackwell

A contribution of more than IE5m (\$8.2m) from the Geest banana business was the driving force behind a 23 per cent increase in underlying profits at Fyffes, the Dublinbased fruit and vegetable

Fyffes bought Geest's. banana business at the start of this year for £147.5m in a joint venture with Windward Island Banana Development and Export. The group now relies on bananas for about

30 per cent of turnover. Mr John Ellis, chairman of Fyffes UK, said Geest had performed well since the divestment of its Costa Rica plantations, enabling it to return to its core business. It

Fyffes spent 1230m on 50-50 no Ic20m of the total invest- 19p a lb.

Delays in US orders caused

pre-tax profits at Filtronic

Comtek to plunge from £2m to £15,000 (\$25,050) in the six months to November 30 and

the telecommunications

components group cut its dividend from 0.75p to 0.25p.

However, the overall fig-

ures masked a dramatic

swing between quarters. US

demand for the company's

mobile telecommunications

components revived in the

second quarter, reversing a £1.8m loss in the first quar-

The shares, which fell to

Tha group announced the

appointment of Mr Greg New Hampshire.

305p yesterday, recovered to

ter into a £1.8m profit.

close up 1p at 335p.

US order delay

hurts Filtronic

ment. Operating profits for the year to October 31 rose from IE38.3m to IE47.1m on sales up from III.19bn to

Pre-tax profits were 11 per cent higher at I£46.6m (I£42m) after charging l£1.9m of goodwill on tha Geest deal, to be amortised over 20

Fyffes' shares rose 5p to 115p on the figures, which were better than expected.

Operating profits in Ireland and the UK grew 15 per cent to I£28.1m, while continental European profits jumped 36 per cent to 1£20m. The US business, which the group withdrew from in September, incurred losses of Itim on It32m turnover.

market price war of late 1995 had passed into history, and joint venture acquisitions prices were now about doulast year, with Geest taking hie the November 1995 low of

Hay-Shipton, formerly vice president of Superconductor

Technologies of the US, as

chief executive. The move

sllows Professor David

Rhodes, executive chairman.

Mr Rhodes said the group

to concentrate on strategy.

bad "geared up for a big

increase in US husiness last January" but orders had been delayed by nina

months as its customers

experienced technical tron-

bles in developing code divi-

systems, a US version of dig-

now had nearly £20m in orders, compared with a nor-

mal order book of £6m. It

has re-opened a factory in

Mr Rhodes said the group

ital mobile phones.

MBO at

acquired by a newly-formed company called United Engineering Forgings, with Mr Boh Bates as chief executive. Mr Bates, 51, a former divisional managing director at T&N, the diversified motor parts group, will be joined on the board by Mr Alistair Mackintosh and Mr Ian Pain, of Prudential Venture Managers. Total finance for the acquisition

and working capital.

Prudential Venture Man-

British

By Stefan Wagstyl

British Steel is selling its British Steel Forgings operations for £74.5m (\$124.4m) to a management buy-out backed by Prudential Venture Managers.

employs 2.100 at six sites in the Midlands, Sheffield and Ayr, making products for the motor, aerospace and industrial cylinder markets. The business is being

agers said it would probably be eventually floated.

Steel arm

to concentrate on its core steelmaking activities.

BSF, put up for sale in August, is the UK's biggest forgings company with 50 per cent of the market. It had £10m operating profits on £157m sales in the year to March. It was originally part of UES Holdings, a joint venture formed in 1986 by

British Steel and GKN.
BSF, which has its head-quarters in Bromsgrove,

will be £92m, including debt

Pre-flight checks: Bristow Helicopters, European regulations, American interests. Only the route needed careful planning.

Through our close contacts with venture capitalists, we established that 44 per cent of the Bristow Helicopter Group was for sale. Using our extensive international contacts we identified the perfect partner and approached Louisiana based Offshore Logistics. Within three weeks we had a deal with the venture capitalists.

addition, the other major shareholder wanted to restructure its stake, bringing into play complex regulatory issues which had to be satisfied, whilst taking account of financial requirements in two major jurisdictions.

It took ten months to complete and involved co-ordinating fourteen sets of advisers, but with our firm hand on the controls the objectives of all parties were met. Today Offshore Logistics and Bristow are the world's largest alliance of non-military operators of helicopter transportation services.

HSBC Samuel Montagu

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HSBC Samuel Montagu is a division of HSBC Investment Bank plc which is regulated by SFA

Ingersoll-Rand throws down gauntlet to FKI

Senior executives at Ingersoll-Rand, the US industurer, were yesterday confident that their £230m win the battle for Newman

"We believe this business is worth more to us than FKI," its rival bider, said Mr Brian Jellison, vice president of Ingersoll-Rand. FKI is expected shortly to

announce whether it will raise its £189m hostile bid. Given Ingersoll's £2.9bn net assets and strong balance sheet, the US group also indicated it had "pockets deep enough" to respond to an increased bid from the

diversified enginaering It underlined its committerday by acquiring 4.9m

Ingersoll's intervention -

priced at 175p a share, excluding a 4.4p final dividend trial equipment manufac tional shareholders, most of whom admitted it represented a good exit value for (\$384.1m) cash offer would a company which was trading at 102%p before FKI announced its interest.

Although FKI had secured acceptances for its initial offer from investors holding more than 20 per cent of Newman Tonks, notably M&G with more than 11 per cent, most fund managers and industry analysts pre-

dicted it would walk away. Having described its opening 148.4p a share offer as "full and fair," several analysts said the group would have difficulty trumping Ingersoll's 21 per cent higher

Although FKI could probament to Newman Tonks yes- bly afford to increase its offer, the arithmetic manager. The company has shares at 179.4p apiece - rep- involved in dealing a knockresenting almost 4 per cent out blow to Ingersoll, whose will not overpay for underoffer represents an exit mul- performing companies, and

ings, could prove prohibi-tive. "To outbid Ingersoll was welcomed by several of would raise severe questions Newman Tonks' institu- over whether the deal would still be earnings enhancing,"

have decided they will not be prepared to pay up for it. But having got this far, some companies still want to carry on." Its advisers at ING Barings

and NM Rothschild were poring over information supplied by Newman Tonks, which under the Takeover Code had to make information supplied to Ingersoll available to the other side.

If FKI remained in the fray, some observers said the likely cost of capital would probably outweigh the return. "FKI was bringing management skills more than industrial synergy to this deal," said one fund proved in the past that it

CAPITAL MARKETS DIGEST

INTERNATIONAL CAPITAL MARKETS

Scottish Power deal to help refinance debt

INTERNATIONAL BONDS

Scottish Power, tha UK's largest multi-utility company in the electricity and water sectors, vesterday

issued its first eurobond. The £200m in proceeds will be used to refinance part of the £1.5bn of bank debt related to the company'a acquisition of Southern Water and Manweb.

HSBC Markets, the lead manager, said the borrower wanted to lock-in debt at an attractive cost. Scottish Power also swapped a large part of its remaining bank debt from variable-rate to fixed-rate liabilities.

This move was mainly motivated by two factors: the risk of a rise in interest rates and the fact that long-term yield spreads over gilts are unusually low.

Syndicate officials from other banks said the deal was "fairly priced", but some pointed out that the use of a benchmark with a different

value of the spread. The announced spread over gilts maturing in 2015 was 63 basis points, which equated to around 58 basis points against gilts maturing in 2017. Bonds with such long maturities typically appaal to investors with long-dated liabilities, such as life insurance companies and

pension funds. The bonds were awarded split ratings; Aa2 by Moody's and A+ by Standard & Poor's. S&P said the acquisitions had "significantly affected Scottish Power's debt service capacity and increased leverage".

Schroders, said it met strong demand on the back of "a good equity story". The deal was priced at the higher end maturity distorted the true of the announced range, with a coupon of 6 per cent

> of 13 per cent. Housing Association Funding, a special purpose vehicle created jointly by five housing associations, launched a bond issue consisting of repackaged housing loans. With help from a special structure - combining over-collateralisation and provisions against default - the bonds were

Asfinag, the road operator backed by the Austrian government, tapped the US dollar sector for the first time Other deals in sterling in five years. The tightness

Moody's and S&P.

rated triple-A by both

New international bond issues NETS YOUR WINDOWS TO SEE THE SECOND B OS DOLLARS Goldman Sache

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(a1) (a2) CSFB(NY/Bank of Boston

(b) Chase Südwest LB Cap Markets Astraig Multicanal Tranche 1 Multicanal Tranche 2 E SWISS FRANCS France Telecomisi
Abbey National Tsy Srvcs Land Secs Fin Jersey(c)\$ Scottish Power Housing Assoc Funding(s) E CREEK DRACHMA 99.95R Aug 1998 0.125R Dautsche Fin Curação! E CANADIAN DOLLARS 8.00 99.60R Dec 2002 0.28R +24(74-01) CIBC Wood Gardy 100 TALIAN LIPE ational Finance Corp. Feb 2000 0.20R 10.75 100.10R Feb 1998 0.15R Final terms, non-calleble unless stated. Yield spread (over relevent government bond) at leanth supplied by lead menager. \$Convertible, #Semi-arrusi coupon. R: fixed re-offer price; fees shown at re-offer level, a) To be priced today, a1) +25 -37.5bp(hierpolated Argentine globel bonds), a2) +29bp-37.5bp(hierpolated Argentine globel shorted), a2) +29bp-37.5bp(hierpolated Argentine, b) Put option 30/12/01; +425bp over put. c) Corry price: 13%. Cell at per after 14/4/02, a) Short 1st coupon.

was justified by the rarity Investment Bank. The bonds

lead manager BZW. the International Finance Corporation replicated an

value and sovereign status pay no yearly interest, but of the issuer, according to their redemption price is a function of the performance In the Italian lira sector of the Italian stock exchange. They also offer a minimum guaranteed yield innovative issue of struc- in case equities perform

underperformed bunds. The

10-year benchmark gilt

slipped & to end at 100 . Its

of He de France, which includes Paris, prompted by the failure of the region's council to adopt a budget for the 1997 fiscal year.

This review affects the equivalent of \$960m of

included an issue of convert- of the yield spread - 7 basis tured notes launched last poorly over the period. long-term debt, will ble bonds by Land Securi- points over US Treasuries - week by the European Moody's announced a rently rated Asa. long-term debt, which is cur-

maturity spectrum, two-year

notes were is lower at 99%,

morning. Existing bome

sales dropped 3.5 per cent

Instead, traders were

focused on today's release of

the employment cost index,

which is expected to have

risen by about 0.8 per cent.

Some Wall Street econo-

last month.

eurobond debut Panama is to make its debut eurobond next month after having received its first sovereign credit rating from the leading US agencies last week. The offering – of up to \$300m, according to officials - follows the country's decision to issue its first Brady bonds in July 1996 in exchange for \$3.5bn of distressed commercial debt. A

Panama to make

Brady bond is restructured debt collateralised by US "This isn't the best timing for a debut eurobond, because of worries about US interest rate increases," said Mr Peter West, director of emerging markets research at

WestMerchant in London. "On the other hand, Panama'a economy is viewed pretty favourably nowadays and investors will like the novelty value. The issue, which will be lead-managed by Bank of . Boston, is expected to be priced at between 225 and 275 basis points over US Treasury securities. The Panamanian government starts a two-week road show,

which will include the US and Europe, today in Seoul. Standard & Poor's, the US credit rating agency which assigned Panama a sovereign rating of BB+ (one notch below investment grade), said the country had substantially improved its fundamentals and predicted economic growth of 4-5 per cent for the next four years. However, a low domestic savings and investment rate and unemployment of 14 per cent would constrain higher growth, it said. Panama's PDI Brady bonds responded well to last week's credit rating, tightening by 60 basis points to 230 basis points over US Treasuries.

Moody's Investors Service assigned Panama a Ball rating (also one level below investment grade) and a Baa1 sovereign ceiling for other issues. The agency stopped short of assigning a higher rating because of a lack of foreign exchange controls in the country.

Oneximbank raises \$50m

Oneximbank, one of Russia's most powerful commercial banks, yesterday launched a three-year floating-rate bond, the first time a Russian company has issued unsecured medium-term debt in the international capital markets. The \$50m private placement, priced at 300 basis points over Libor, has been fully underwritten by Merrill Lynch. the US investment bank, which has been aggressively touting for business in Russia.

If successful, bankers predict that the issue could lead to a wave of similar issues from Russian banks desperate to raise new capital. Russian companies would appear to favour debt over equity issues because they do not dilute corporate control.

Mr Alexander Popov, head of treasury at Oneximbank, said the \$50m bond was issued through its Dutch subsidiary and was likely to be followed by bigger offerings over the coming months. "We have worked out a strategy for accessing international capital markets and there will be some other projects along the way," he said. John Thornhill, Moscou

Trading subdued ahead of US economic data

GOVERNMENT BONDS

By Edward Luce and Richard Adams in London and Lisa Bransten in New York

A higher than expected rise in the German cost of living for January left European bond markets unfazed yesterday, although UK gilt prices dipped in advance of a series of government bond

auctions starting today. Traders said that both the European and US markets have a sense of direction at were awaiting direction from the US, where employment cost data are published today and fourtb-quarter GDP figures are expected on

Analysts said a series of European bond auctions this week were expected to keep higher energy prices from

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Coupon Date

markets subdued. Today's the December cold snap, was £2.5bn 10-year gilt auction and the DM10bn German 10year bund and Italian 30year BTP auctions later, are expected to depress bond prices across most of

Europe. "Next week's FOMC [Federal Open Market Committee] meeting will be very important for Europe," said Mr Crag Shute, fixed-income analyst at Bear Stearns in London, "Apart from that, the markets don't really

the moment. German bond futures were flat yesterday as markets digested the 0.4 per cent rise in the cost of living index to 1.8 per cent in January. Traders said that the rise, which was mainly caused by

Day's change Yield

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..... j.77

- 453 - 463 - 623 -- 622 - 224 -- 1224 - 324 -- 324 - 335 -- 25

-ii 103/2 Other Fixed interest

Manchester 11¹ pc 2007. Met. Mrz. 3pc Br M'wide Anglia 37 pc 2021

unlikely to alter the uncerinterest rates. Ten-year German hunds

closed 0.3 up at 101.17. March Italian BTP futures rose by 0.14 to close at 131.57 on

Spanish bono futures dropped by 0.25 to close at 113.43 after Mr José Folgado. Spain's budget secretary, predicted that Spain's 90 basis point spread over bunds would remain the limit for the next six months.

Analysts at Nikko Europe in London said the UK's 0.8 per cent rise in GDP for the fourth quarter was in line with the expectations.

"The report, in conjunction with the flux of recent weak economic data, now

BUND FUTURES OPTIONS (UFFE) DM250,000 points of 100%

0.80

virtually rules out an interest rate hike at the February tain outlook on German 5 monetary meeting," Nikko

Mr Philip Shaw, chief economist at Union Discount in London, said the market was more concerned with this week's dual UK gilt auction.

Today sees the sale of £2.5bn of 7.25 per cent con-pon stock maturing in 2007, while Thursday's auction is of 21.5hm worth of 7 per cent Mr Shaw said the gilt mar-

ket was "marking time" before this week's important economic data from the US. On Liffe, the long gilt future contract for March settled at 110%, down ¼ from Friday, and traded within a narrow band.

In the cash market, gilts

yield rose to 7.49 per cent, up yielding 6.060 per cent. The March 30-year bond slipped three basis points, and its spread against bunds widå to 1098. ened by the same amount. The market paid little attention to a drop in exist-US Treasury prices slipped again in early trading yestering home sales for December day amid growing nervouswhich was reported at mid-

quarter wages and gross domestic product. For a second consecutive session, the yield on the benchmark 30-year Treasury bond moved above 6.9 per cent. On Friday, the long bond yield hovered above that level for much of the

ness about data on fourth-

6.89 per cent. By early yesterday afternoon, the long bond was off & et 94% to yield 6.907 per

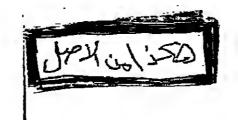
mists believe that if the figsession before finishing at ure is much stronger, it could prompt the Federal Reserve to raise interest rates at next month's meeting of its Open Market

TSE Actual fos Indices K Cats	Mon Jun 27	Day's change %	PH	Accrued	अर्थ क्दी, प्रांत								- High o		yloid
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All stocks (52)	144,63	-0.19	144.90	9.00	0.81			flution :		0		lation 10 Jen 24	7% Yr, ago	÷	: /"
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Open int. ECU BOND FUTURES (MATIF) ECU100,000 iceland 7¹g 00 _____ Inter Actor Dev 4¹g 00 . Ontario 6¹g 03 _____ 130.38 128.96 50,903 225 2 121,382 14,538 7.39 6.37 6.11 828 6,748 100 102½ 450 120 500 107¼ 700 29 600 115⅓ Credit Local S 01 FFr Denmark 512 99 FFr Bec de France 81s 22 FFr 127.28 127,28 ■ LONG TERM FRENCH BOND OPTIONS (MATIF) ■ US TREASURY BOND FUTURES (CST) \$100,000 \$2nds of 100% Low Est. vol. Open Int. 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BOND FUTURES (LIFFE) Y100m 100ms of 100% Est voi Open int. High Low Est. vol Open int. 126.76 125.31 101,30 100,34 99773 223900 167 7284 101.07 Rady ¹₈ 88 Ecu 1500 USB Baden-Wuert Fin ¹₉ 98 1000 Ubyds Bark Pepp S 0.10 900 Maleysia 6 00 500 Nova Scotta 2 98 500 Cristrio 0 99 2000 Portuged J. on Conference of Conference Con UK GILTS PRICES Criterio 0 99 Portugal 16 99 DNA Custors Hydro 0 89 Panile 0 88 Spain -16 02 DM State Bit Victoria 0.05 98 . Sweden -16 01 United Kingdom -16 01 -1 103; -1 104 977 SNLT 912 P8 Spoin 612 98 Spoin 612 98 Sweden 612 03 Termissies Valley 8 00 Termissies Valley 8 00 Termissies Valley 8 2 00 Telyota Motor 51; 95 United Mingdom 71; 102 West Derrey 61; 00 World Sank 61; 00 World Sank 61; 00 9.70 7.32 121 3.43 7.94 7.52 167 6.11 7.57 11033 -2 174급 1794 -2 109원 151급 -2 1125 1034 -6 1043 964 -2 894 814 711 7.67 6772 Conv Spc Ln 2011 # ... 8 07 7.86 111½ -33 11353 104% Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in permitteness show API base for indexing (e 8 months prior to lesses) and have been adjusted to reflect rebesing of RPI to 100 in February 1967. Conversion factor 3,945. RPI for May 1999: 152.9 and for December 1999: 154.4. Treas Sign 20124 5689 7.43 1133 Treas Sign 20124 779 7.70 10025 Treas Sign 20154 778 7.69 10034 Treas Sign 20154 778 7.69 10034 105% 108% 104% 104% 110% 105% 108% 108% 108% 108%

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CURRENCIES AND MONEY

Dollar firm ahead of key US labour costs data

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MARKETS REPORT

By Graham Bowley

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DIGEST

day as traders waited to see if the currency would mount another challenge on Y120. On Friday the currency

briefly broke through Y120 to reach a 47-month high talked back down by Japanese officials amid rumours that the Bank of Japan was selling the US currency.

Speculation mounted lar would resume its upward surge soon. Attention was focused on the release today of key US employment cost data - which, if strong, could give a green light to Mr Alan Greenspan, chairman of the US Federal Reserve, to raise interest rates when the Fed meets next week

Comments by Mr Eisuke Sakakibara, director-general of international finance at

the finance ministry, that The Bulgarian lev, which the weak yen was "objectively positive" for the Japanese economy, suggested the Traders and investors are The dollar stayed firm on Japanese authorities might waiting to see whether the the foreign exchanges yester- not block another move authorities will introduce a upwards, by the dollar.

against the D-Mark despite Fund requests. stronger than expected Geragainst the yen before it was . might find it hard to reduce DM1.6376. The pound fininterest rates further.

The pound recovered some DM2.6586. poise after its sharp tumble last week. Data showed UK The dollar's fate against GDP grew at the fastest rate again yesterday that the dol- for two years in the final focus of attention yesterday. quarter of last year.

> after the central bank intervened to weaken the currency which has been appreciating strongly.

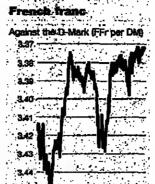
Pound in New York	
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1 auth 1.6190 1.6290 3 milh 1.6177 1.6261	
3 mth 1.6177 1.6261 1 yr 1.6082 1,6172	

currency board in line with The US currency rose International Monetary

The dollar closed against man inflation data. The data the yen in London at Y119.35 suggested the Bundesbank and against the D-Mark at ished at \$1.6235 and at

the yen was again the main Mr Paul Meggyesi, at Deutin emerging markets, the sche Morgan Grenfell in Lon-Polish zloty eased slightly don, said he doubted the rumours that the Bank of Japan had intervened to support the yen at Y120.

"Mr Sakakibara's comments suggest that Japan has not reached the pain threshold yet so the dollar will continue to rise until there is a clear indication that enough is enough," he said.



Mr Steve Hannah, at IBJ International in London, said: "The market is still dollar friendly, we are still seeing a lot of demand for dol-

Mr Sanjay Joshi, at Daiwa in London, said investors were "fighting shy" of taking the dollar above Y120 because of the belief that the Bank of Japan would intervene. But he said that the dollar would cootinne to

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

March. But he said the dol- key condition if it is lar would reverse its course towards the end of March as IMF," he said. Japanese investors repatriated capital towards the end lev, another important of the financial year.

Sanwa International in Lon- ent, according to Mr Da don, said the dollar was Simmonds, emerging mark likely to face strong resistance above Y120. "That London, is the recey level will be a significant strength of the South A marker, the dollar will struggle to make new highs above that," he said.

■Mr Kay Haigh, senior economist at DMG in Lon- tors, who were reluctant don, said a currency board was the key to restoring stability to the Bulgarian lev. which has depreciated sharply since the beginning

Jan 27 E 5	
- I I	
Czech Rp 45.1811 - 45.2414 27.8380 - 27	.8580
Hongary 274.514 - 274,765 168,140 - 16	
Iran 4872.00 · 4869.00 3000.00 · 30	
Kuwait 0.4898 · 0.4909 0.3018 · 0.	3023
Potend 4.8755 - 4,8817 3,0040 - 3	
Russia 9122.88 - 9131.75 5621.00 - 56	23.00

appreciate in February and of the year. "That will be

As well as the fate of ture of trade in emergi But Mr Kirit Shah, at market currencies at pr can rand. "We have so some recovery of the rand the back of a better loc bond market," he said.

Mr Simmonds said in come back into the mar at the beginning of this y after last year's turbuler were oow seeking access the higher yields the Sou African market offered.

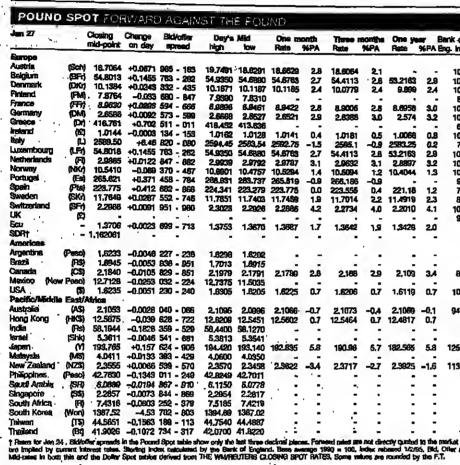
He said this year ma emerging markets, especia in central and easte Europe, had been charact ised by appreciating curre for accessing superior yie on the part of investors.

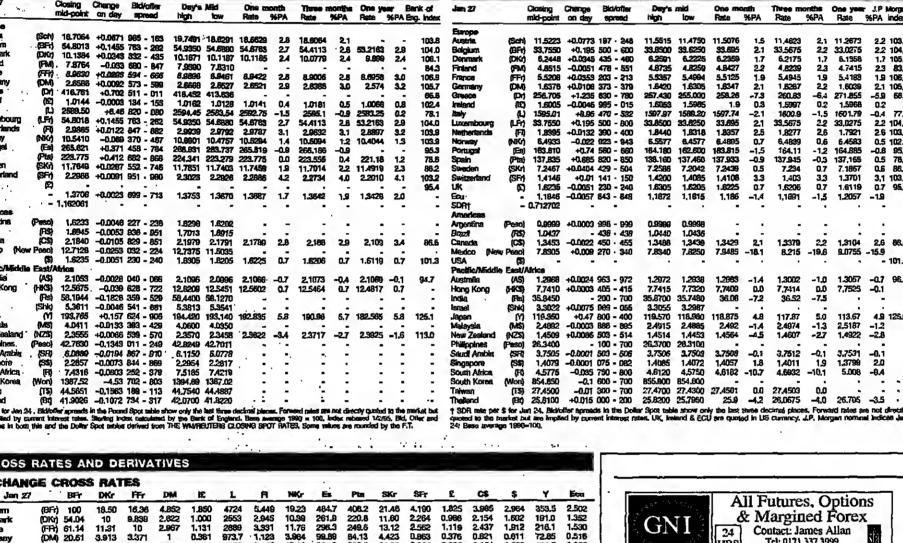
January 27	-	over light	One month	Thre		One	Lomb. Inter.	Dis.	Repo
Belgium		37	37	3,		3%	6.00	2.50	<u>-</u>
France		314	3.	3,		3,	3.15		4,75
Germony Ireland		3%	38	3, 5		32	4.50	2.50	3.00 6.25
italy		54 711	51 73	75		52 6≟	9.00	7.50	7.36
Netherlands		2%	2%	2		34	-	3.00	3.30
Switzerland		1%	1%	11	1%	10	-	1.00	-
US		5%	52	5)	₹ 5%	5盟	-	5.00	-
Japan		<u>.</u>	12		1/2			0.50	
# \$LIBORF	T Londo	П							
Interbank Fla	_	-	5	_5		5및	-	-	-
US Dollar CD		-	5.14	5.2		5.51	-	-	-
ECU Linked SDR Linked		-			4 4	918	-	-	_
SLIBOR Interi			32			313	_ 		
reference bank Missublant, Ban Mis mice are st EURO C	s at 11ar clays and nown for t	m etçî Natios ha dom	worldr nei Wes ettic Mo	ng day. Omineol Oney Re	The beni r. tes, US\$ C	Os, ECU &	SDR Unke	a, Beni	k of Tok
SEURICO Jan 27		ert ort	7 da		One	Three	Sio	,	One
Jul 27		m	notk		month	months			year
Belgian Franc		_	34 -		3 ¹ 4 - 3	3 ¹ a - 3		_	312 - 34
Danish Krone	312		312		34 - 37 36 - 37	35 31			34 - 35
D-Mark		37	3]] -	314 3	76 - 218 36 - 218	345 - 34	3.2 -	2提:	3/2 - 23
Dutch Guilder	2號 .	- 212	2뱮 -	2월 :	243 - 278	3 - 213	31 -	2월 :	3 <u>4.</u> - 3 <u>1</u>
French Franc	3.4	316	344 -		34	33 84	4 8,2 -		34 - 34
Portuguese E			6 ¹ 4 -	er (64 - 64	512 - 53			5½ - 5½ 5½ - 5¼
Spanish Pesel Sterling	02. B ₁₆ . G/6.	- 9 - 512	6 ¹ 8 -) - B. 5초 - B.	551 · 51 64 · 6	511	5 6 5 6	54 - 54 64 - 68
Swiss Franc	112 -	- 12	2 - 1	3	13 - 13	111 - 12	111	1/2 '	122 - 12
Can. Doller	3 -	212	3 - 2	战 :	3k - 2k	3/2 - 3/	325	34 3	36 - 3 31 - 5
US Dollar	574		516 -	516	5 ¹ 2 - 5 ² 8	558 - 51	2 514 -	5%	4 - 5
italian Lira Yen	712	- 62a - 3a	73a -	. 9 . 15	7 - 716	74 - 7	BIZ -	64, (#	54 - 01 5 - 2
Yen Asian SSing		12	2 -		1 - 12 24 - 25	2년 - 21			-8 - 2 54 - 34
Short term reta									. 4 - 67
THREE M	IONTH !	PIBO	R FUT	URE	(MATIF)F	arie Interb	ank offen	ed rate	
	Open	Sett p	rice C	hang	High	Lov	v Est.	vol (Open In
	96.72	96.7		-0.02	96.73				78,475
	96.74	96.7		-0.02	96.78			68	49,522
Sep !	96.70	98.6	39	-0.03	96.72	96.6	8 3,1	79	34,489
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	96.74	96.7		+0.01	96.85)14 27 9	154305
	96.55	96.5		+0.01	96.57			394	158617
ONE MO			-						
		_	_	henge					Open In
		Sett p							
	98.87 96.88	96.8		-0.01 -0.01	96.87 98.88	96.8° 98.8°		29 34	12906 13489
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Mary		96.8		-		- 1		5	3932
THREE M	юнтн і		-	FUTL	RES OUF	FE: L100			
		_	_					_	
			rice C		_				Open In
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	93.89	93.8		-0.04	93.88	93.8		41	84413 42323
	84.19 94.37	94.1		-0.04 -0.04	94.20 94.37			24	29571
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I THEEL MAD				_					_
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	98.02	97-9		-0.02	98.02			93	10743
	97.82	97.7		-0.02	97.82			96	5640
THREE M	KONTH I	DERO.	YEN !	טזט	RIES (LIFE	E) Y100n	n points	of 100	96
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N THREE M			-					_	.,-
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	6.92	95.9		-0.02	95.92	95.9	D 8	4	4574
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	OF 110	_		_	AN PORIS	. J. 1007			
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rice	Mar		Jun		Sep	Mar	Jun		Sep
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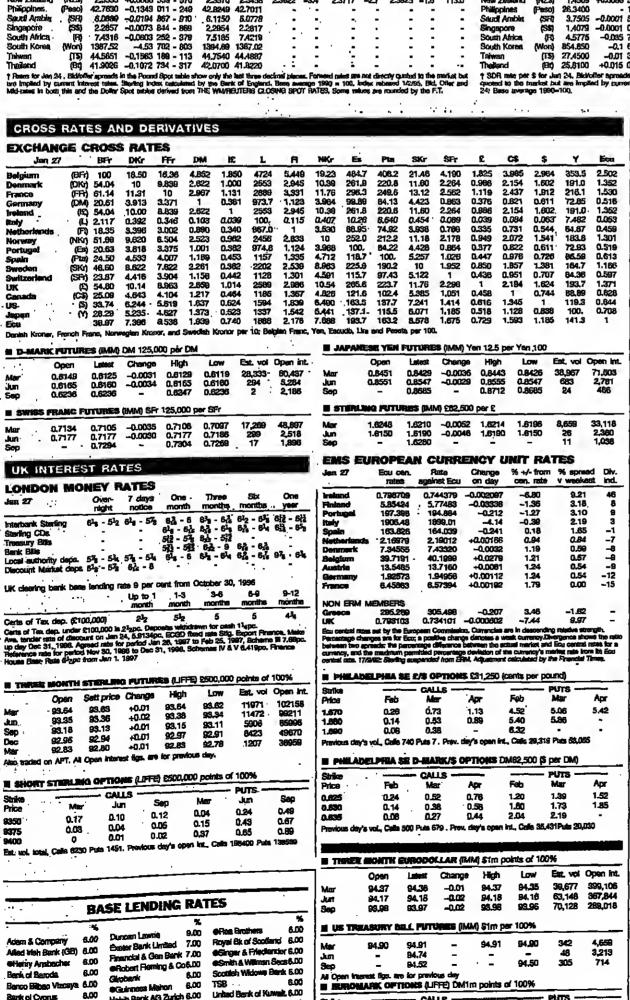
Fed up with fishing

for business information?

WORLD INTEREST RATES







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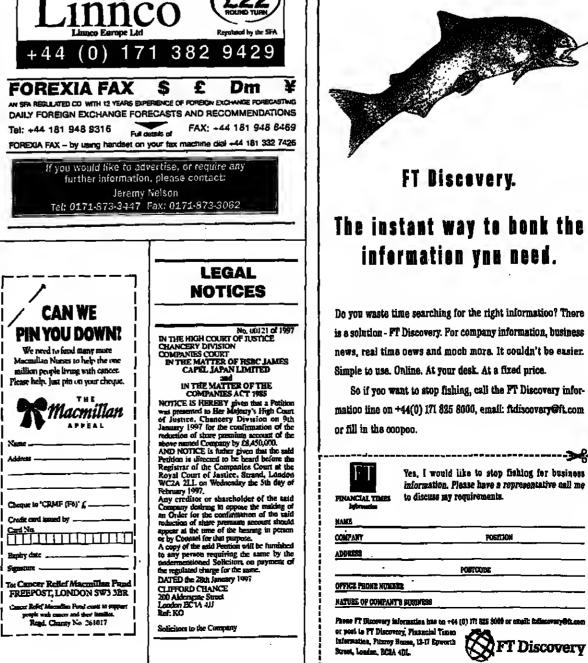
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morning when some heart of

China signals return as 'major corn producer'

By James Harding in Shangha

China has signalled its return to corn exports after a three-year absence, announcing that it had produced one-fifth of the world's corn last year, and was once again a "major world corn producer". The growing output marka a reversal from 1994, when depleted supplies prompted the government to ban exports to rebuild

China bas not confirmed a 1996 harvest and a full Chinese the US department of agriculture bas reported that 250,000 tonnes have apparently been sold in

Asian markets recently.

The first full-year estimates for 1996 show China increased production on 1995, when it produced 111.98m tonnes of corn, according to the Xinhua Daily Telegraph. the official newspaper. Traders forecast that a high

resumption in corn exports but resumption of foreign sales could put pressure on prices of US corn. One US analyst, citing downward pressure on Chicago Board of Trade corn futures following rumours of China's return to the market, was quoted by Reuters as saying: "US exporters will have to

see a price war.

300,000 tonnes this month. The US official approval of the trade. department of agriculture has confirmed sales of 145,000 tonnes to the Philippines and smaller amounts to South Korea and Mal-

There has been speculation in the markets that Chinese exports for 1997 could exceed 1m tonnes, price themselves lower. We will an estimate buoyed hy indications from Japanese traders in China Corn traders said Chinese sales that they would be willing to buy in Asia were likely to reach corn if the government resumes The government newspaper

underlined the recovery in corn production yesterday, but did not give an exact figure for output. Analysts in Shanghai say 1996 production could reach 118m tonnes, but officials suggest it could be higher. Corn covers about 20m hectares - about 15 per cent of arable land - and output is

now about 7,500kg per hectare,

the Xinhua Daily Telegraph said.

The bulk of production is in the central provinces of Shandong, Jiangsu and Henan but some 2 per cent comes from the norther regions around Jilin.

· China plans to import abon 690,000 tonnes of sugar in 1997, the People's Daily Overseas Edition said yesterday, including some 350,000 tonnes from Cuba. Domestic output in the 1996-97 crushing season was estimated at about 6.6m tonnes.

"In terms of investment

1997 is not the biggest year. aaya Mr Romero. He esti-

mates that investment in the

four big projects will rise to

\$3bn next year and that total

annual investment between

1997 and 2000 will average \$5bn, compared with \$3bn in

the recent past. However,

production la unlikely to

increase by as much as

At present, Pemex's expen-

ditures and revenues are set

out by the government in its

budget. Legal changes in

1995 gave the company

greater freedom to proceed

with projects linked to spe-

cific financing but it wants

We want to be like a nor-

mal company, where it is the

hoard of directors that is

ultimately responsible for

running the company," says

The petrochemical busi-

ness was to heve been priva-

tised last year, hut a political

backlasb forced a govern-

ment retreat. Now only

minority stakes in the petro-

chemical complexes are up

Pemex remains an emotive

issue for many of the Mexi-

can political elite, who see

its formation in 1938 as a

defining moment of national

investment in production is

one thing. But any attempts

to loosen ties between

Pemex and the government

mey have limited success.

further autonomy.

Mr Romero.

for sale.

200,000 barrels every year.

Technical squeeze on copper intensifies

Heaven Marie

OFFSHORE

MARKETS REPORT By Kenneth Gooding and Robert Corzine

The technical squeeze in the London Metal Exchange's copper market became more severe yesterday. The benchmark premium for copper for immediate delivery compared with three-month metal increased to \$315 a tonne, up from \$282.50 at Friday's close. The cost of rolling forward a short position for only one day was \$23.50 yesterday.

Traders said the substantial premium was bound to attract more copper to the LME and suggested the exchange would today report another increase in its stocks, perhaps of 8,000 tonnes. On Friday it reported stocks had risen by 12,775 tonnes, taking the total to 156,000 tomes.

Stocks are still low, however, and this is contributing to the squeeze. Traders: said it was alsn being caused hy the fact that a US investment house had gone "short" of copper in Octo-ber, speculating that the price would fail, and a leading European merchant was taking advantage now the price was rising.

Those betting on silver reaching \$5 a troy ounce achieved their objective yesterday. On the London bullion market silver rose to \$5.03, up 11 cents, or 2.2 per cent, from Friday. Silver's rise resulted in a sympathetic upward move in the gold price, which was "fixed" in London yesterday afternoon at \$353.60 a troy ounce, some \$1.10 above Friday's afternoon "fix". sovereignty, lncreased

Mary and Property of the Parket Michael Control of

100 miles

GUERNSEY BE RECOGNISED!

Attention for the August August and

The No. of the

Crude oil prices were mainly flat. The price of the benchmark Brent Blend for March delivery was quoted et \$22.28 in late London trading, up two cents on its

Bright future Pemex oils the path to independence seen for silver

By Kenneth Gooding, Mining Correspondent

The use of silver in photography will increase by more than 7 per cent and number of prints per between 1995 and 2000, order, and increased demand partly because of the successful launcb of the Advanced Photo System. which combines many of the advantages of conventional 35mm photography with the benefits of digital cameras.

This is the main conclu-sion of an independent study hy Mr Peter Krause, vicepresident of Imaging/Tecbnology Markets, a Florida consultancy. He suggests the photographic industry will use 234m troy ounces of silver in 2000 compared with 218m in 1995, ensuring that photography remains one of "three pillars of demand" on which silver consumption depends. The others are jewellery and silverware, and industrial and decorative, each accounting for about 200m ounces of annual demand.

However, because the photographic Industry is the main collector of scrap silver, Mr Krause also expects silver recovered by it to rise from 150m ounces in 1995 to 165m in 2000.

In his survey, distributed by the Washington based Silver institute, he predicts global camera sales will rise,

COMMODITIES PRICES

leading to more film consumption. He also forecasts stronger demand for colour photographic paper because of a rise in the average size

for reprints. He auggests the use of 35mm cameras worldwide will increase from 610m in 1995 to 780m by 2000, while the number of single-use cameras may nearly double, from 160m to 250m.

Mr Krause predicts that by

2000 about 20 per cent of all amateur photographers will be using APS, launched a year ago by a consortium of Eastman Kokak, Fuji, Canon, Nikon and Minolta. He says that although APS, with its small film, less silver than 35mm film, APS will stimulate growth in amateur photo-

Although much bas been made of the challenge of digital imaging to silver, the threat is modest in amateur photography because digital technology still has higher costs and inferior quality.

grapby.

Silver-based film will remain dominant in medical radiography. Mr Krause suggests. The use of medical x-ray film will increase by about 3 per cent a year, because the world's population is increasing and getting older.

Petróleos Mexicanos, Mexico's state oil monopoly, is stepping up its biggest investment drive for a decade and a half. Pemex plans to invest \$6bn during 1997, almost twice as much as the \$3.5bn it spent last year. It also hopes to gain the indepen-dence it needs to plan ahead

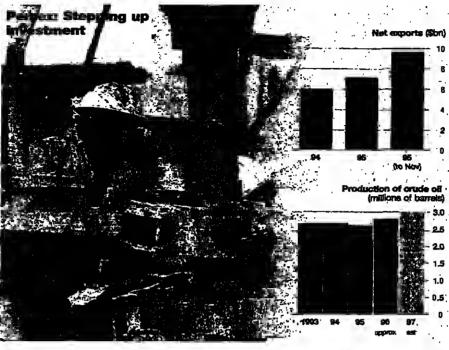
without government interference. The developments could reshape a company which is heartily disliked by many Mexicans but which indirectly provides 40 per cent of the government's Not since the oil boom of the late 1970s and early 1980s

has Pemex placed such emphasis on increasing production. Mr Juan Manuel Romero, chief financial officer, estimates that in 1996 Pemex's production of crude oil increased by an average of 200,000 barrels a day, and that production will register a similar advance during the present year.

"To increase by 200,000 barrels a day is very significant," he says. "Some of the countries that call themselves oil producers turn out less than that."

Increases in the price of crude thronghout 1996 helped hooat Pemex's income, relieving it of the need to secure external financing for much of its investment programme.

However, Mr Romero says the price of crude would have to slip from the 1996



less than \$14.50 before its plans were put in doubt.

For 1997 as a whole, the company will have to obtain \$2.8hn in new financing, although its net debt should only increase by \$400m.

The most significant investment will be in four large projects financed by a mixture of Export Credit Agency money, credits backed by assets, and commercial loans.

Of these, the most important in terms of production is the expansion of the Canaverage of \$18.90 a barrel to tarell complex in the south-

east of the country, the sixth biggest oil reserve in the world. Investment in Cantarell during 1997 alone should be \$825m, during which time Pemex hopes to increase the site's production by 150,000 barrels a day.

However, the largest investment will be in the upgrade of the Cadereyta refinery in northern Mexico. The plant, which currently turns ont mainly fuel oil, will be refitted to increase capacity and produce lighter products, such as diesel. Investment in Cadereyta is

expected to be \$1.2bn in 1997 and will be unique among the big projects, since funds will be raised by the consortium that builds the plant rather than hy Pemex itself. The concession is due to be granted in May this year.

The other two big projects are to lift the production of dry gas in northern Mexico – environmental rules in force from 1998 will impel a switch from fuel oil to natural gas and to increase the extraction of light crude in the seas off the south-east coast of the country

Daniel Dombey close on Friday. 10. JOTTER PAD

BASE METALS

LONDON METAL EXCHANGE

(Prices from Ama ALUMINIUM,				Sett	Change Day's	High	1
- recommony			Jan	357.1	+4.0	_	
	Cash	3 mths	Feb	357,3	+3.9	357.8	3
Close	1618.5-19.5	1039-39.5	Apr	359.2	+4.1	359.7	3
Previous	1614-15	1635-36	"Tiped	361.5	+4.1	362,0	
High/low		1641/1633	Ang	363,9	+4.1	362.8	
AM Official	1619-20	1640-40.5	Oct	366.5	+4.2	364.7	3
kerb close		1640-41	Total				
Open int. Total daily tumove	247,406 r 69,889		M PL	ATTNUM	NYME	X (50)	Tro
ALUMINIUM A		anno)	Jan	360 6	+20		3
			Apr	364.3	+1.7	364.5	
Clase	1528-33	1535-30	Jed	366.6	+1.7	367.0	36
Previous	1530-35	1535-36	Oct	368.8	+1.7	-	
High/low		1641/1635	Janz	371.2	+17	-	
AM Official	1530-33	1535-40	Total				
Kerb clase		1637-39	■ PA	LADIU	M NYM	EX HO	0 T
Open int.	5.036				_		
Total daily rumove	9.046		Mar		+0.25		
■ LEAD (\$ per to	onne)		Jee	127.10	+0.25	127.50	12/
		401.4	Sep	128.25	+0.25	-	
Close	687.5-8.5	696-7	Dec	129.25	+0.25	-	
Previous	669-90	0 98-9	Total				
High/low	693.5/693	704/635	■ SIL	VER CO	MEX (5.)	300 Tro	y oz
AM Official	693-4	702-3	Jan	502.7			
Kerb close		695-6	Feb	502.8	+7.1	501 D	49
Open ent.	33,705		Mar	504.7	+7.0	505.5	
Total daily turnove			May	509.5	+7.0		45
NICKEL (S per	tonne)		Jul	514.1		510.0	50
Close	7180-90	7280-90	Sep	5190	+7.0 +7.0	515.0	
Previous	7225-35	7320-30	Total	2130	+7.0	520.5	31
High/low	1225-35	7320/7260	1 4444				
AM Official	7210-20	7315-20					
Kerb close	72 10-20	7290-300					
Open int.	49,620	7290-300	ENE	RGY			
Total daily turnove			■ СЯ	UDE OF	L NYMI	EX (1.0	Ю
TIN (S per ton				Latest			
					change	High	и
Close	5930-40	5080-85			-		
Previous	5978-80	6020-25	Mar	24.17			23
High/low	5945	6020/5980	May	23.67 23.22	+0.14	23.73	23
AM Official	5940-45	5995-96	Jun	22.75	+0.17	23.22 22.75	22
Kerb close		5980-85	Jul	22.15	+0.16 -0.04		22
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ZINC, special				UDE OII	IPE 6	/herrel	
Clase	1117.5-18 5	1139-40					_
Previous	1113.5-14.5	1133-34		Latest			
High/low		1148/1136		bucs	cparific	High	L
AM Official	1123-23,5	1144.5-45	100		+0.16	22.4 4	22
Kerb close		1138-39	Apr	22.01		22.01	21
Open int.	93,431		May		+0.13	21.59	21
Total daily turnove			Jan Jai	21.15 20 80	+0.04 +0.05	21.15 20.80	20
COPPER, grac			Atog	20 55		20.55	20 20
Close	2558-63	2253-54	Total			-4-50	
Previous	2535-40	2252-53	- 145				
hgh/low	2573-2565	2265/2245		ATTING C	JUL, RYM	EX (42.0	wı
AM Official	2572-74	2260-62		Letest	Day's		
Kerb clase		2247-48		price (change	High	Lo
Open int.	157.008		Feb	67.55	+0.78	87.75	65.
Total daily rumover			Mar	66.50			64
LME AM Office	ial C/S rate: 1.6	62 15	Apr	63 95			62
LME Closing	C/S rate: 1.6230		May				60.
pat 16245 3 mate: 16			Jian	59.55	+0.32	59 55	5B.
			Jul Total	58.25	+0.28	58.25	58.
HIGH GRADE	COPPER (COM	EX)		OIL PE	di Anna		
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ten 111.20 +0.	20 112,40 110 78	461 2.738					-

111.20 +0.20 112.40 110.78 461 2.738 107.60 -0.55 109.00 107.40 222 3.012 105.90 -0.75 107.65 105.75 7,005 24.755 103.50 -0.75 104.70 103.30 210 1.217 102.40 -0.65 103.78 102.30 965 6,120 101.50 -0.50 102.50 102.40 24 761

101.50 -0.50 102.50 102.40

PRECIOUS METALS (Prices supplied by N M Rothschild) Gold(Troy oz) Signice Elegaty SFr equiti Class 355 61-354 90 217.20 499.28 217.53 500.34 254 60-354 90

Day's Low 352.95-353.25 Previous close 352.70-353.00 Loco Ldn Mean Gold Lending Rates (Vs US\$)

3 months . Silver Fix Spot 3 months 494.10 500.05 6 months 1 year 518.65 **Gold Coins** S price 353-355

	eclous Metals continued on comex (100 Troy oz: \$/roy oz)
	Sett Day's Open price change High low Yol Int
,lan	367.1 +4.0
Feb Apr	357.3 +3.9 357.8 363.2 36,811 57,693 359.2 +4.1 359.7 354.9 13,078 51,181
Just Desă	361.5 +4.1 362.0 357.8 667 21,991 363.9 +4.1 362.8 361.5 91 8,193
Oct	366.5 +4.2 364.7 363.5 138 2,968
Total	51,786 195,384 (ATMUM NYMEX (50 Troy 02.1 \$Joby 02.)
Jan	360 6 +2.0 361.5 360.0 6 4
Apr Jed	364.3 +1.7 364.5 362.0 1,860 19,498 366.6 +1.7 367.0 366.5 2 3,216
Oct	368.8 +1.7 244 2,247
Jan Total	371.2 +1 7 1,077 2,106 25,942
	LLADIUM NYMEX (100 Troy oz.; \$/troy ez.)
Mar	125.80 +0.25 126.40 125.00 628 6,100 127.10 +0.25 127.50 127.00 118 1,844
Sep	128.25 +0.25 35 360
Dec Total	129.25 +0.25 18 746 8,322
	LVER COMEX (5,000 Troy oz.; Cents/troy oz.)
Jen Fob	502.7 +7.1 5010 498.0 3 3 502.8 +7.0 5 7
Mar May	504.7 +7.0 505.5 494.0 37,123 63,854 509.5 +7.0 510.0 499.0 1,226 11,426
Jul	514.1 +7.0 515.0 504 0 268 8,883
Sep Total	5190 +7.0 520.5 514.5 7 3,038 33,041 95,272
EN	ERGY
■ CF	RUDE OIL NYMEX (1,000 barrels, S/barrel)
	Latest Day's Open price change High Low Vol ini
Mar	24.17 +0 12 24.26 23.63 28.430 82.113
May	23.67 +0.14 23.73 23.18 11.602 38.391 23.22 +0.17 23.22 22.75 2.494 22.115
Jun	22.75 +0.16 22.75 22.26 1,601 31,761 22.15 -0.04 22.15 21.95 473 15,752
Aug	21.80 -0.03 21 88 21.65 879 14,366
Total	49,918 347,692 (LIDE OIL IPE (\$/berrel)
	Latest Day's Open
Nor	price change High Low Vol list 22.44 +0.16 22.44 22.00 15,453 66,360
Apr	72.01 +0.15 22.01 21.62 4.689 29.931
Jun	21.59 +0.13 21.59 21.25 1.639 16,295 21.15 -0.04 21.15 20.88 356 17,638
Jul Ang	20 80 +0.05 20.80 20.55 240 11,983 20 55 +0 10 20 55 20.34 55 2.959
Total	EN EN
= ME	ATTING OIL, IMMEX (42,000 US gails, c/US gails,1 Listest Day's Open
_	price change High Low Yol int
Feb Mar	67.55 +0.78 67.75 65.30 17,744 27,273 66.50 +0.82 66.65 64.35 11,044 27,567
Apr May	63 95 +0 62 64.10 62.30 3,162 13,270 61 15 +0.22 61.20 60.20 885 6,230
Jan Jan	59.55 +0.32 59.55 58.30 913 5,637 58.25 +0.28 58.25 58.00 183 3,504
Total	34,288 102,918
■ GA	S OIL PE (\$/torne)
	Sets Day's Open price change High Low Yol lot
Feb Mar	199.75 +0.25 202.00 195.50 9.057 23,604 196.25 -1.25 198.58 193.75 8,794 13,577
Apr May	197 50 -0 75 193 00 188 00 3,192 8,402 186 50 -0 25 187.75 185.25 251 3,370
Jun Jul	164 50 -0 25 184.25 183.25 250 7,561
Total	184 00 -0 25 183.75 183.25 6 2,683 14,698 68,278
■ NA	TURAL GAS NYMEX (10,000 APPRIL; S'IMPRIL)
	tatest Day's Open price change High Low Yol int
Feb Mar	3 900 +0 176 3.060 2.900 37.781 13.218 2.635 +0.078 2.700 2.610 11,135 27,311
Apr	2,335 +0.058 2,390 2,320 3,154 15,597
May Just	2,175 +0.050 2,210 2,130 919 12,053 2,165 +0.055 2,100 2,140 503 8,513
Jel Total	2.145 +0.033 2.160 2.145 502 8.685 57,140 155,076

58.40 +0.55 68.60 65.90 12.612 16.214 58.40 +0.48 65.60 65.90 7.718 23.838 79.00 +0.70 70.20 53.30 1.817 12.247 69.30 +0.50 69.30 69.00 538 7.826 57.15 +0.35 67.20 66.90 810 5.430

936 7,826 810 5.430 114 2,764

■ WHEAT LIFFE (€ per torme)

GRAINS AND OIL SEEDS

		Day's				Open		Sett	Day's			
	_		a jilgh			just			chande	_	Low	
		-1.00		93.50				895				3,19
		-0.90		95.75			May	915			909	2,63
				97.85			, les	935				
				91.25			Sep	965	+5	963	952	32
		-0,35		93,25	31		Dec	966		974	960	63
	95.25	-0.35	-	-	-		Mar.	979	+5	986	974	37
					324	6,327	Total					8,00
į	TEAT CE	37 (5,0	n pd06	ar, cent	s/60%b \	outstref)	# CO	COA CS	CE (10	tome	s; Shor	mes
Ī	371 50	-9.50	376.00	371.00	4 580	27,208	Mar	1324	+16	1326	1295	6.57
						10,207	Mary	1357				
	344.25					24,051	Jul	1383		1385		
				345.00	281		Sep	1408		1409		
	357.00				244		Dec	1431		1430	1415	
	342.00			342.00	- 2		Mac	1454		1454	1433	
	34.00	-		V-1C-00		64,300		14/17	+20	1-6,74		10.07
	IXE CB	r 15 60	3 2~ 1 mm	n' conte				COA (IC	M 181	Protection		10,01
_						_		_	~~) (~			_
						123.376	Jun 24				ice	
						65,412	Dody _			998.	62	
						62,850						
	266.50		266.75			8.942	■ COI	FFEE LI	FFE ISA	onne)		
	267 75					43,128	Jan	1514	-31	4505	4.70	_
	273.50	+0.25	273.50	271.75		2,592	Mar	1475		1505 1485	1470	
					J3,352	306,890	May	1474		1480	1445	
١	HLEY U	FFE (S	per to	rnne)			Jul	1478		1478	1437 1441	80
	92.50	-0.50	-		-	346	Sep	1460		1465	1437	27
	93.50		_	_	_	163	May	1450		1451	1435	4
		-0.50	_		_	28	Total	1430	٦.	1431	1433	1.27
		-0.50	92.50	92.50	15							-
	94.50					-	- 00	TEE 'C	Cacc	137,00	UIDS: C	ene
					15	793	Mar	136.60	-0.30	139.40	133.50	5,863
,	YABEAN	us car	4 MOV	min ca	nte/50th		May		+0 45			
_		_					Jol		+0.70			
	749.75						Sep		-0 25			
	750 50						Dec		-0.05			
						32,339		113.50	+0.40	11500		
	741.25					4.934	Total				1	10,002
	716.50				216	1,349	■ COF	FEE (IC	(US	cents/	pound)	
	692.00	+1.25	633'nn			15,112	Jun 24					$\overline{}$
						163,961		aly		107	73	
ì	/ABEAN	OIL	CBT (6	0,000015	s: cent	9/ID)		verage				
	24 36	+0.15	24.37	24.15	4,546	45,353						
	24.74	+0.16	24,78	24.54	1,007	18,026	■ WH	TE SUG	ARLIF	FF ISA	onnal	
	25 07	+0.11	25 08	24 91	1,561	14,814				_		_
	25.18	+0.11	25,16	25.07	137	2,798	Mer	298.1		296.1	295 5	
	25.28	+0 14	25,28	25.16	20	2,679	May	236.2		298.0		336
	25.42	+0.07	25,43	25.35	20	711	Acq	298.5	+2.2	298.6	296.1	111
					7,886	89,724	Oct	296 3	+25	296.6		77
ņ	ABEAN	MEA	L CBT	(100 to	ns; 5/0	on)	Dec	297 0	+1.7	2080	294.2	24
	238.1		_	_	_	_	Mar	299.3	+20	30 0.0		_ 11
	234.7	Ξ	239.0 235.7			39,125 20,747	Total					3,221
	233.8			232.4			■ SUG	AR '11'	CSCE	(112.0X)Otos; (onto
	230.8		231.0			3.149	Mar	10,44	+0 20	10 45	10.271	0.685
	224.9		228.9		30		May		+0.13			
	213.5		214.5		1	1,038	Jai		+0.14			
		-	-17-2	-103		.,000						

+05 57.5 56.5 16 1.153 -0.5 63.0 62.5 15 77 +2.0 - - - 2 +2.0 111.0 1100 14 566 FREIGHT (SIFFEQ LIFFÉ (\$10/index point)

538 139 3,683

FUTURES DATA All futures data supplied by CMS.

There was improved and more general definend this week reports the Tea Brokers. Association. Landed brightest and coloury medium least Africans were firm to 2 pencerkig dearer, but brighter mediums lost 2-3 pencerkig dearer, but brighter mediums lost 2-3 pencerkig dearer, but brighter mediums and firm to dearer rates. Quotations: Landed Best available: 152p/kg, Good: 122p/kg, Good medium: 114p/kg, Medium: 104p/kg, Low medium: 88p/kg nom. The highest price realised this week was 152p/kg for a Burundt.

SOFTS ■ COCOA LIFFE (£/tonne)

196 35,839 24 23,143 78 25.130 09 13,277 17 3.143 63 12.576 74 91,108

02 43,237

1 2,989 7 1.854 10.43 +0.14 10.43 10.33 2.103 27.435 10.45 +0.12 10.45 10.35 731 17.321 10.47 +0.12 10.47 10.37 248 6.347 10.51 +0.12 10.48 10.46 5 1.202 ■ COTTON NYCE (50,000lbs; cents/lbs)

75.26 +0.65 75.30 74.30 9.978 21.889 76.53 +0.53 76.60 75.75 3,619 18,040 77.55 +0.50 77.60 76.75 1,377 8,156 77.50 +0.45 77.50 77.00 49 1.547 77 44 +0 46 77.45 78.91 1,697 11,758 78.30 +0 45 78.20 77.95 21 713 16,751 \$2,585 ■ ORANGE JUICE NYCE (15,000/b), cents/fbs) 93.50 +10.00 93.58 85.10 1,466 20.293 91.40 +5.00 91.40 88.50 611 6.555 94.30 +5.00 94.30 91.60 208 2,000 97.10 +5.00 97.10 94.50 347 1,698 99.30 +5.00 99.00 95.75 55 381 100.75 +5.00 - 63 175 2,860 31.219

contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest lotals are for all traded months.

INDICES H Reuters (Base: 18/9/31 = 100)

Jan 27 Jan 24 month ago year ago 1956.7 1957.0 - 2161.7 E CR8 Futures (Base: 1967 = 100) ■ GSCI Spot (Bese: 1978 = 100)

MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000lbs; centr/lbs

77.175 +0.225 77.550 76.500 2.636 9.479 77.000 +0 825 77.200 76.025 2,446 11,378 81.200 +0.700 81.400 80.350 882 7,119 79,000 +0.650 79,050 78,050 224 1,570 74,950 +0.450 75,000 74,200 244 1,428 67,925 +0.525 68,000 67,300 136 1,353 ■ PORK BELLIES CME (40,000lbs; cents/lbs) 80 550 -0.550 82,300 79,650 1,879 3,786

LONDON TRADED OPTIONS

1550 101 COPPER (Grade A) LME Mar Jun 2150 158 141 2250 87 93 2350 41 58 COFFEE LIFFE Mar May Mar May

\$224-226 \$204-205 \$94-96 \$221-222 \$233-234 \$216-218 ■ NATURAL GAS (Pen

Bacton (Feb) 18.20-18.50 -0 Robotoum Argus Tot. London (0171) 359 8792 M OTHER 18.20-18.50

Copper Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) 14 54r -0.04 279.50 -1.00 100.37p 144.27p 74.02p Lon, day sugar (rew) Lon, day sugar (wte) Barley (Eng. loed) Maize (US No3 Yollow) Wheat (US Dark North) \$250.90 \$298.60 Coconut Oil (Philis)
Palm Oil (Maloy.)§
Copra (Philis)
Soyabeana (US)
Cotton Outlook'A' Index
Wooltops (649 Super)

Sett Rey's
Price change High Low Vol Int
64.975 +0.325 65.250 64.375 5.226 23.303
66.850 +0.925 67.000 66.000 5.816 36.480
64.302 +0.700 64.450 63.950 2.149 13.164
64.100 +0.500 64.450 63.950 2.149 13.164
66.875 +0.325 67.000 66.575 767 8.164
69.350 +0.675 69.500 66.575 198 3.246

■ LEAN HOGS CME (40,000lbs; cente/lbs)

Mar 80 500 +0.500 82.200 79.700 587 1.224

Mary 80.775 +0 100 82.300 80,000 516 2.050

Jai 80.575 +0 575 80.650 79.50 126 516

Awg 76 700 +0.200 78 400 78 500 23 427

Total

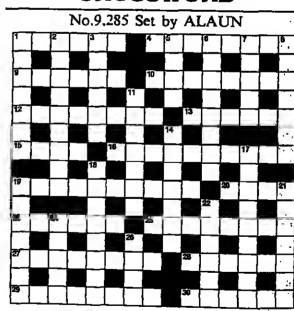
Strike price S tonne --- Calls --- --- Puts ---M ALUMINIUM

875 27 52 7 900 13 36 18 925 24 36 E CRENT CRUCE

LONDON SPOT MARKETS ■ CRUDE OIL FOR (per barrel) \$20.36-0 45w +0.035 \$22.54-2.57 -0.215 \$22.26-2.28 -0.085 Dubai S.CU.38-U Aaw 49.00
Brent Blend (dated) \$22.54-2.57 -0.21
Brant Blend (Mary) \$22.52-2.28 -0.08
W T.I. \$24.08-4.11W -0.0
Onl. PRODUCTS NWE prompt delivery OF (to

Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz.) Palladium (per troy oz.) \$122.50 +3,0

CROSSWORD



ACROSS 1 Suggests itself to, as it hap-

pens (6) 4 A dry "That's how many boles there are on the golf course" (8) 9 Seaweed may need a brush

(6)
10 Showing the father went back by himself (8)
12 Meted out a quantity of a certain drink to imbibe (8) 13 Soft when it comes to money (6)

15 Object to the exhortation to

8 Learn to dance afterwards be careful (4) 16 Return from hell? (5,2,3) 19 Gave one some wrinkles on roofing (10)

23 Leaves to evoid doing the 18 Beyond doubt, plump and

28 Set for a difficult round one, having entered (6) 30 Turning, cry "It is a bird!"

1 Best choose a single parent 2 Do retain modifications to the vessel (9)
3 Arrive to find the list on

display (4.2)
5 See the point the agent is making (4)
6 Took advantage of and continued transport and tinued to do business with (6,2) 7 The tendency is to get right

(5.2)11 Are not caught? I don't believe it! (3.4) 14 Retreat from a defeat (7) 20 Damage a limb, taken to 17 Two sailors in "The Pig" are trouble makers (5.1.3)

23 Leaves to evoid doing the gardening (8)
25 Cut off also, with the tide having gone out (8)
27 They're bright, but not unbearably so! (8)
28 Set for a difficult round
29 Beyond doubt, January and healthy (4,4)
21 Pretended to have deciphered it (4,3)
22 Verbal excuses, if you don't mind! (6)

Set for a difficult round one, having entered (6)

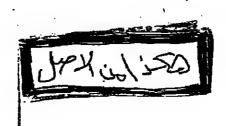
Everything about it reveals they're dangerous for ships (8)

mind! (6)

24 Beat up first class woman (5)

25 Say you won't recognise (4)

Solution to Saturday's prize puzzle on Saturday February 8. Solution to yesterday's prize puzzle on Monday February



MANUARY 30%

Technical

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PARKETS REPORT

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● FT Citylina Unit Trust Prices are avail	able over the telephone Col the ET Cha	FT	MANAGED F	UNDS SERVI	CE		Offshore Funds
OFFSHORE	int links Sating Busing +or Well	ine Help Desk on (444 171) 873 4378 for	more details. In general felling Dayling our Yold Grape Price Price - Gra	but their falling buying a or Their Green Table May - Gry	Saline Bades our State	Salley States our Year	hall Radon Stalling Deputing + or Yorks Green Police Police - DY
	M & G (Commony) Lind	Royal Bank of Canada Ind. Money Market Fd.	ET Global - Coetal	Swiss Life Investment Fund Proteus (u)	Gill Fund Management (Ireland) Ltd	Singer & Priedhander Closed Funds Pic	Headon Frind Mgrs - Contd.
BERMUDA	htted (Rotal Fd	USS Agrany Class	511.01 11.48 +0.15 0.00	IN Equity \$1,2008 Fortonial Equity \$0,7892 Fortonial Equity \$0,7892 International Board \$1,2016 Faces \$1,2016 Faces \$1,2016	Foreign Exchange Fd Pic \$2.50	Society Generale Group SEF-01 Paniss Describe	int Periodo \$2, \$2.84
(SIB RECOGNISED)	Production Fund Mattagers (Secretary) Ltd.	Strating Account Chap	97 Strange Food Bit. \$10.89 -0.05 5.55 67 Statege Board Bit. 65.71 -0.04 5.94 107 Technology Ail. 97.85 125.97 -0.78 0.00 67 Technology Ail. 97.85 125.97 -0.78 0.00 67 Technology Ail. 97.765 51.86 -0.48 0.00		GJ Resergetin Milita Rosad. 517 (13 16.00m - 6.17 6.46) 42 Reserve March 15 (15 16.00m - 6.17 6.46) 42 Reserve March 15 (15 16 16.40 - 6.00 1.22 21 Ross March 15 (16 16.40 - 6.00 1.22 21 Ross March 15 (16 16.40 - 6.00 1.22 21 Ross March 15 (16 16.40 - 6.00 1.22	Singler Fund Pic	PO Bys 103, 52 Finder, Justiny Westernick Common Rd Protected Common Pri (Formaty Westernick Common Rd) Ingures (A.E.B. 0 201.8 211.8 +0.4 5.00 Control (C.E.D. 5 192.8 370.8 +0.8 5.00
half States Audies - and Today Classes Tales Tales Tales - All States	Producted binary Funds, Cal. Stangard Starting	Sef Distrib Dises	61 Technology 0 H \$128.37 -0.79 0.00 61 Technology 0 H \$79.00 -0.48 0.00	Hard Custagey St. H. St. DATI INST	Bartmore Korea Fund Pic 55.79 -0.35 -	Trainer Wortham & Company Inc US Green Fd Pt	Royal Bank of Scattend Fd Mgcs (Jersey) Ltd PR Ro 443 October Street, St Heler, Jersey 19834 199141
Fidulity Currency Fends Ltd Symposic trail, Fendania, Bermode De 1967 Annies 1980 44461 August 19534 71086 Natur Chata 1980 44461 Mr. on Posta 1980	PO des 242, St Pater Part, Coursely 01461 719700 Fro James Later Jan 5 - 518.06 17.08	Saudi International (Guernswy) Ltd Falcon High Income \$118.08 117.25	S1 Second record St. S1 58 -0.13 0 00	Tilady (finalmed) Ltdl 20/20 (sweet Heren Street, Diebby 2 69 3631 7605013 115 Mid Cap 511.06 67 =	Global Euro-Aela Insentrarent 1stein Sculler Cos 810.16 10.56 Global Resources Stock Fund	Ulster Bank brooksamt Services M. Well Come Fit Pl \$7.94 770 +0.85	Durings Cit
From Crystae (44, 1722 777377 Heng King (Miles) 846 7800	Figs 2 from 1 to restant level Frants (Figs 2 from	Sciender Investment Hingest (Georgesy) Ltd Brast 510,757 11,362 - Eastern Georges 510,101 19,165 -	\$5.65 Lawer Manual St. Dollar 2 Instant	IRELAND (REGULATED)(**)	150		Reynol Stank of Standard Into Offshown Practicals Limited Documb 400 FE. 3-10
DR Access	FASIL E	Easting Executed	GAA data Acc H	Stilling Styling our York From From . Break	Gordon House Asset Blassgement Ltd Gordon House Optional \$5.70 = Internal State \$4.86 =	Value Express Fund Pig	Standard Bank Fund Mgark (Jecsoy) Ltd
FT Factors FTFT ABA + 4004 224 1004 225 1005 1005 1005 1005 1005 1005 1005	THE CO. LANS. 187	Statutes Found Managers (Finement) tel	GAM Tologo Acc H DAY 75.87 GAM Tologo Good CM Inc. H DAY 12.39	All: Frand Management Ltd All: Shiral Penis Del Trust Debuglis Read	HSSC UK Equity Plus Plc 100 21.69 = Staregeole 21.000 1 1014 =	Ynmeichi Samsung Dynamic Korea Fund	Shering Cop 2 19.304 9.603 -0.072 6.62 Shering Cop 250.19 50.29 +0.02 0.00 "maximum parallel from 5.27%
No.	FAMIL IST	At-Fatch in: Co Led \$1161.45 Carring Discoy 2000 Lts \$1770.19 = TREK Accest Management (Garanson) Ltd	GAM Lovered DM Act is DATES, 97	OM Interagrational Provider Pic US Bothy Inc.	HSSC UK Equity Plan II Plc 10.95 Surrous	Yellow See Investment Company PLC HOW	TSE Fund Managers (CI) 12st PO But SSE (It hales, Jerney TSE Officers Investment Fund 12st
\$\frac{\text{SACOM}}{\text{SPACOM}} \ \frac{\text{SPS.180}}{\text{SPS.180}} \ \cdot \frac{\text{400}}{\text{1.000}} \ \frac{\text{400}}{\text{1.000}} \ \frac{\text{400}}{\text{1.000}} \ \frac{\text{400}}{\text{500}} \ \frac{\text{500}}{\text{500}} \ \fra	FROM Line L148821 +2840 6.82	Salest High York Bond A SIBILLY Manishin — — — — — — — — — — — — — — — — — — —	Guitamasa Filight Select Famils Fic PO Bas 250, 27 Meir Pyrt, Cuaranny Sri 30K, Cr Esparas 01487 727728 Desires prigs 710861 Marines teden Spariy 4, 3 STLES 20,72 +0,2% - Selecton Indian Espariy 8, 316,51 20,55 +0,55 -	US Dotor band Surface Bord Surface Bord In US Orac Manual Int US Orac Manual Int US Orac Manual Argenta European Harine Argenta European Harine Int Daniel Manual Int Daniel M	HSBC UK Equity Pins III Pic HOV TUBE Statement COSCO COSTON	Yild Tolurat Femi 527.48 +13.46 -	
Prime for stellay Jenny 27 Japaner Tyndell (Hermundin) Ltd PO line Held 256, Hermundin) Ltd	FARE SS	U.S. Advisors (Guerson) Limited US Statement Attention 51 12/31 124.50 — — — — — — — — — — — — — — — — — — —	Ching A	Asia Dynamic Growth Fined Ptc 102 15 +0.36 -	Hambros Poort Managers (Ireland) Ltd Ireland Arts Meter \$10.00 10.65 -0.02 0.00 Hacton Ireland Ltd	ISLE OF MAN	Sig Despot Clean F = 3 MLBH 104.57 +0.04 4.50 behaviorable Bland F = 5 133.08 19.87 +0.07 4.65 felpt become Clean F = 3 € 09.984 104.00 −0.02 8.84 kt Equal F = 4 65.70 427.0 −1.10 0.98 behaviorable Systy F = 8 25.98 271.41 −1.29 0.00 Fer Estimar F = 5 277.10 29.85 −2.20 0.00 ±0.00
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Second	FASTI, FAST IST. 521.196 +8.005 1.84	Yarrabid Para Cales Fd. 812.14 Variabid Alpin Careas Fd. 5Fr10.30	Headerson Crostinualle Investment Co 22 2 May at M. Landon, ICD SAI 0000 541206 George Description Cr. 2554 recover F 5 5 1774 556 Water Argestest 5 1274 556	Asian Emerging Markets Fund Ptc HW	Hanemi Kores Venture Fund First Ventus Portleto (MV. 510.14 -0.16 - Second Ventus Fortion Intr. \$9.95 -0.06 -	AXA Foolity & Law last Frand Mingrs Victory Nat. France 18th Dogims Into 11824 683623 10to laugue 54	JERSEY
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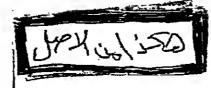
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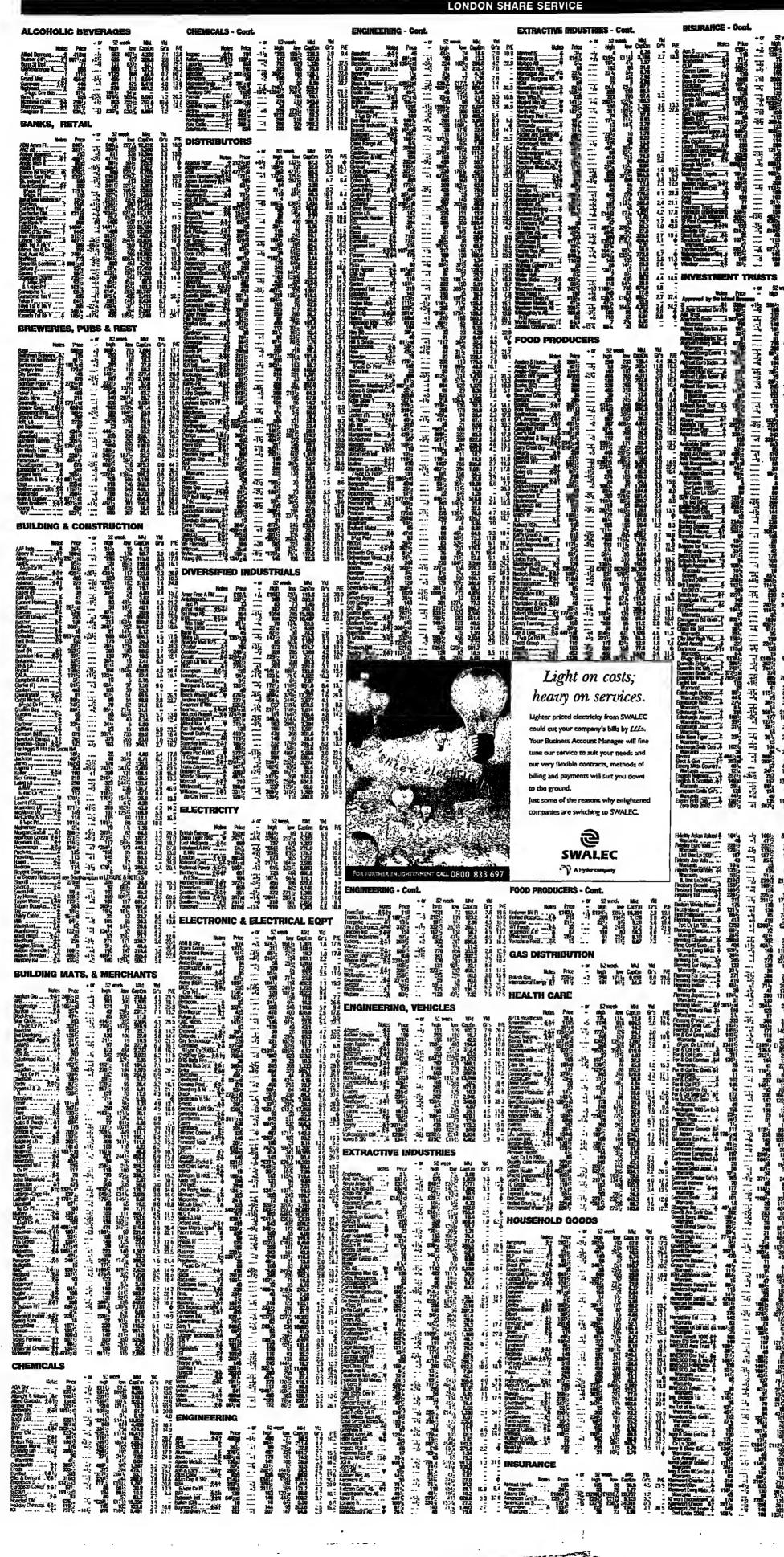
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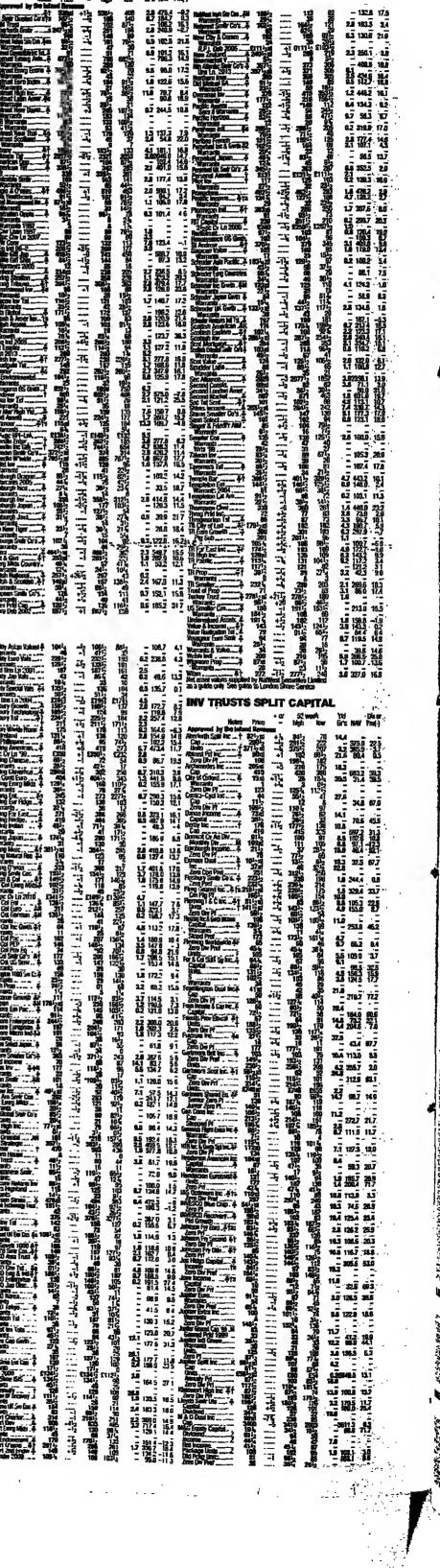
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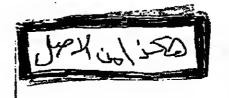
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Sell programme weighs heavily on equities

MARKET REPORT

By Steve Thompson,

London's equity market fought gamely but unsuccessfully to resist the bearish influences from across the Atlantic where Wall Street followed up last Friday's sell-off with another uncertain

The Dow Jones Industrial Average, which fell over 153 points on Thursday and Friday, was down over 40 points sbortly after the start of trading in New York yesterday but rallied to show a small gain ninety minutes after London closed.

Helped by a £230m counter bid for Newman Tonks and a series of bullish stories emerging in the pharmaceuticals and other sectors, the FTSE 100 indax recouped an initial decline before slipping again in the afternoon and closing on a dull note. It settied 6.8 down at 4,212.0.

Further pressure was brought to bear on the stock market with talk of a large-scale trading programme, executed late in the session by one of the big US brokers and weighted beavily on the sell

Dealers said the full impact of the programme had not been felt in the market by the close and

trading this morning.

The other FTSE indices also showed relatively minor changes. with the 250 ending 4.9 down at 4,593.1 and the SmallCap 0.5 easier at 2,291.9.

News that fourth quarter gross domestic product had risen 0.8 per cent, giving an annual 2.6 per cent rise, was seen as a calming influence during the morning, although gains from the news proved only fleeting.

The rise in GDP was exactly in line with market expectations and seen by some as vindicating the decision by Mr Kennetb Ciarke, the chancellor, not to

over equities at the outset of his last meeting with Mr Eddie bid-marger speculation, which George, the governor of tha Bank drove Zeneca and SmithKline of England.

One casualty of vesterday's subdued trading session was the level of turnover in the market. At the 6pm count turnover was 685m shares.

Dealers said activity in equities had fallen away sharply last week, when the valua of customer, or retail, business fell below the £1bn mark for three out of the five trading days. Institutions are said to be holding off houses forecast an extensive and from the market because of its increasing volatility.

Drug stocks extended last week's strong gains, on a mixture Beecham abead.

Glaxo Wellcome was lifted by positive news on one of its anti-Aids preparations. Oil exploration stocks attracted

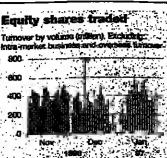
keen support amid speculation of further drilling success for Enterprise Oil, the second best performer in the Footsie last year. But the food retailers took another hammering after one of

margin-damaging price war. Marketmakers remained on red alert for further takeover stories

the independent retail research

but were also aware of the scope would probably cast a sbadow increase UK interest rates after of fundamentals and continued for a sell-off in global markets.





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Drilling lift for explorer

By Peter John, Joel Kibazo and Lisa Wood

Oil in the Gulf of Mexico continued to provide good news for the exploration and production groups.

Enterprise Oil gained 91/4 to 633p on talk that the company had made a discovery in a well in the shallow water of the Gulf.

Enterprise is in closed season at the moment but after the market closed Mr Greg Panagos of Pennzoil, Enterprise's operating partner in the Gulf, confirmed the find.

He said: "We have found crude oil and it looks like its commercial. It's an attractive discovery on the surface but we baven't done a test on the well."

One analyst estimated the find could be 15m barrels. which would be worth up to 4p on the share price. Although unlikely to be very large, it is significant because it is the first discovery from the partnership since it was announced in September. So far. only four blocks have been explored and there are another 98 blocks to be investigated during the three-year deal.

There was also broker support following an upbeat meeting on Friday between analysts and Mr Pierre Jungels, the company's new chief executive

FOURTH QUARTER RESULTS

bypassed oil from older reservoirs.

ion, which have already been ann

Meanwhile, British Borneo the shooting star of the sub-sector, lifted 37 to 1178%p ahead of a meeting

with analysts tomorrow. Nervous trading in Anglo-US engineering group LucasVarity left the shares trailing 71/2 to 2051/sp, the worst performer in the FTSE 100, after trade of 7m.

The group is to bold a conference call today to update analysts on progress with its restructuring programme but news on the dividend is expected to be at the top of analysts' questions.

Last week LucasVarity played down market worries that it is considering suspending dividend payments and rewarding investors through share buy-backs. The company said sucb rumours were "totally unsubstantiated" but dealers remain concerned and one saida "I still think something major is afoot."

Dealers also remain concerned about reports suggesting the board is finalising plans to change the name of the group.

Yesterday, LucasVarity said it plans to sell Frenchbased car parts subsidiary Sasic and to convert its Lucas Aerospace FMS defence aeronautics operation into a subsidiary, with a view to selling it. However, talks on a sale have vet to

Food retailers were again among the worst performers in the FTSE 100 after being adversely affected by a report from Verdict, the market research organisation. It warned that a price war

Schlumberger

SCHLUMBERGER 1996 RESULTS

New York, January 23, 1997 - Schlumberger Limited reported that not

income for 1996 was \$851 toillion and earnings per share were \$3.47, 29%

higher than the prior year. Operating revenue of \$8.96 billion represented

Fourth quarter net income of \$255 million and earnings per share of \$1.04. were 53% and 51% higher, respectively, than in the fourth quarter of 1995. Operating revenue of \$2.52 billion was 22% above the same period last

Oilfield Services made substantial gains with a revenue increase of 32%, while rig count rose 11%. These results were led by our ability to provide

leading-edge technologies to the emerging deepwater markets along with introductions of cost-effective solutions which focus on extracting

ment & Systems revenue grew 5%, as strong growth at Auto Test Equipment, Electronic Transactions and Systems & Services more than compensated for weaknesses at Electricity & Gas Metering. and Chief Executive Officer Euan Baird stated: "In the fourth quarter of 1996, growth in each of our Oilfield Services businesse ed to accelerate. Due to the robust spending plans in exploration and

re are confident that our oilfield results will continue to strengthen in

1997. During this period, conditions for Measurements & Systems should so improve, led by the growth of smart card sectiology and new product troductions from Automatic Test Equipment."

The Korea Development Bank

(Established in the Republic of Korea under the Korea Development Bank Act 1953 as amended) U.S. \$200,000,000

Floating Rate Notes due 1997

For the six month period 27th January, 1997 to 28th July, 1997 the Notes will carry an interest rate of 5.8125% per annum with a coupon amount of U.S. \$2,938.54 per U.S. \$100,000

Listed on the Luxembourg Stock Exchange

major price war was ied by Tesco in 1977 in its "Check-

out" campaign. The Verdict study exacerbated market worries. Last Friday J Sainsbury, the UK's second largest supermarket chain, issued a profits warn-

However, analysts played down the Verdict report. a sell recommendation on One said there was always a possibility of a price war but it was a crude weapon in modern retailing. There might be some further manoeuvring on price but it would fall well sbort of a

said, were less related to are not over and takeover price and more to do with its talk, which has helped push quality of goods and ambience of some of its competitors. Sainsbury, he said, has 11, was not credible. RBoS rested on its laurels for too eased 214 to 586%p.

was more likely than it had long. Sainsbury fell 9 to been for 15 years. The last 332p, the lowest level since his buy recommendations November 1991.

Safeway softened 131/2 to 376p and Tesco, the biggest supermarket group by sales and market capitalisation, weakened 5 to 355p. Royal Bank of Scotland

was the focus of a cautious view on the banking sector as Panmure Gordon slapped the shares Mr David Poutney of Pan-

mure believes the shares are over-rated in view of the interest rate trend in the US, where the bank generates a quarter of its profits. He said that the woes of Direct Line, Sainsbury's problems, be Royal Bank's insurance arm, stores lacking the service, the shares to a prospective price/earnings ratio of 12 against a sector average of

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E London market data

Rises and falls' Total Rises Total Palls Same 52 Week highs and lows LIFFE Equity options 614 146 Total contracts 46 Calls 28,058 among the big supermarkets Jan 27 'Data based on Equity shares listed on the London Share Service.

Futures Options FX

Mr Poutney also removed from HSBC, which fell 4 to 1442p in the ordinaries, and Barclays, which gained 11/2 to 1145p. Meanwhile, Abbey National dropped 9 to 753p after negative press comment following the stock's

recent strong gains. ICI moved forward 141/4 to 757%p with dealers citing a bounce as concerns about a big takeover faded. The worries were offset by a small

German acquisition. Glaxo Wellcome was up 8% at 957%p after the company said over the weekend that early clinical trials of some of its compounds showed favourable results in treating HIV. SmithKline Beecham rose

report suggesting a possible link between the UK pharmaceutical concern and Schering-Plough of the US. Xenova moved forward 25 to 295p on news that it had

entered into a research coilaboration with Bristol-Myers Squibb of the US. Shares in UK video and security equipment group Norbain lost nearly 25 per

cent of their value after the company issued a profits warning. The shares closed 1061/2 off at 3321/4p. The agreed bid for Newman Tonks from Ingersoll-Rand, which trumped FKI's

offer, saw Newman Tonks

sbares jump 29 to 1801/2p. House builders were among the best performers in the market, with Berkeley Group bardening 2314 to 6971/2p and Barratt Developments rising 7 to 283p.

Berkeley is one of Robert Fleming Securities' dozen best buys for 1997. The broker said recently that Berkeley looked the best placed of the bousebuilders to beoefit from a strong housing recovery which would persist through the transitional

period of tha election. Its market niche and excellent management, said Fleming, stood it in good stead, while lts land-buying ability gave it the competitive advantage to outperform its peers.

Hay & Robertson, the maker of Manchester United pyjamas, among other things, where the shares have risen more than 200 per cent over the past 12 months, scored another 11 to close at 151%n.

Bargain hunting was said to be behind the advance in Rentokil Initial. The shares ended the session 10 ahead at 4521/2p, the best performer in the FTSE 100.

Among property issues. Land Securities fell 18 to 767%p after announcing 111/2 to 875p following a press plans for issuing £200m convertible bonds due in 2007.

FUTURES AND OPTIONS

Gas Distribution Pharmaceuticals

Oll Exploration

FISE 100 INDEX FUTURIES (UFFE) \$25 per full index point Low Est. vol Open Int. Open Sett price Change High 61413 4137 1386 4218.0 4215.0 -8.0 4227.0 4237.0 4235.0 -8.5 4237.0 4260.0 4263.0 -10.0 4260.0 4227.0 4206.0 8628 FISE 250 INDEX PUTURES (LIFFE) £10 per full index point 4809.0 4625.0 -17.0 4825.0 4809.0 FTSE 100 INDEX OPTION (LIFFE) ("4211) £10 per full index point

Calls 2.586 Puts 6.620

LONDON RECENT ISSUES: EQUITIES

price		Mkt.	199	B/97		Ciose price		Net	Div. G	irs P/E
p	'up	(Em.)	High	LOW	Stock	P	+/-	ďv.	cov. y	ld net
§166	F.P.	36.0	17412	17012	Aquarkus	17412		W6.85	2.0	4.9 12.7
- 6	P.P.	26.5	5712	4912	BZW Endward Red	56		-	-	
100	F.P.	126	9312		Enterprise Vn Co	8912		-		
	F.P.	14.2	55	55	TEpicore Nwork	55		-	-	
5100	F.P.	21,7	298		GB Rahvays	248	-13	-	-	
§145	F.P.	12.5	175		Hardy Underwrite	170		-	~	
- 5	F.P.	52	34		John Lewis	34		-	-	- 20.1
•	F.P.	8.39	60	4512	Netcal	60	+912	-	-	
	F.P.	34.7	725	4212	Oxford Biomedica	5412	~1	-	-	
565	F.P.	15.9	8012	6512	Parkwood	7412		R1.82	1.3	3.1 25.0
	F.P.	12.B	7012		†Plat 7ech init	5712		b-	-	- 16.1
\$60	F.P.	48.1	11112	97	Shelfield United	97	يا.	-	-	
§585	F.P.				Sunderland	73712	•	FI4.8	7.0	0.8 17.6
7	F.P.	13.3			Sutton Harbour 13			Z1.2	1.8	1.1 18.6
Altern	ettva l	mestro		ket, §	Placing price. * intr		n. For	a hA c	explana	tion of all

1411	150	III	EA				
Jan 24	% obg	,lun 23	Year	Gross div yield %	P/E	52 v Fligh	reek; Low
1709.05	+1.6	1682.76	2245.23	1.93	-	2520,73	1674.61
1974,60	-0.4	1981,54	2641.76	257	40.74 21.32		1974.60
	Jan 24 1709.85 1947.12 1874.60	Jan % ong 24 on day 1709.05 +1.6 1947.12 +1.5	Jan % ehg Jan 24 on day 23 1709.05 +1.6 1682.76 1947.12 +1.5 1918.45 1974.80 -0.4 1981.54	Jan % thg Jan Year 24 on day 21 290 1709.95 +1.8 1682.76 2245.23 1947.12 +1.5 1918.45 3052.16 1974.60 -0.4 1981.54 2641.76	24 on day 23 ago yield % 1709.05 +1.8 1682.76 2245.23 1.83 1947.12 +1.5 1918.45 3052.16 4.47 1974.60 -0.4 1981.54 2641.76 2.57	Jan % chg Junt Year Gross div P/E 24 od day 23 age yield % ratio 1709.05 41.6 1662.76 2245.23 1.93 1947.12 41.5 1918.45 3052.16 4.47 49.74 1974.60 -0.4 1981.54 2641.76 2.57 21.32	Jan % ond day 23 Year ago Gross div year light P/E yelde % ratio 52 w ratio High 1709.05 41.6 1682.76 2245.23 1.93 — 2520.73 1947.12 41.5 1918.45 3052.16 4.47 40.74 3553.86 1974.60 -0.4 1981.54 2641.76 2.57 21.32 2827.34

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The UK Series

	Jan 27	chge%	Jan 24	Jan 23	Jan 22	390 390	ylekt%	COASI		ytd ytd	Return
FTSE 100	4212.0	-0.2	4218.8	4271.5	4218.1	3734.6	3.70	2.05	18.48	4.31	1763.61
FTSE 250	4593.1	-0.1	4598.0	4616.0	4587.0	4089.1	3.39	1.50	24.62	4.94	1884.71
FTSE 250 ex IT	4644,0	-0.1	4647.8	4664.4	4637.3	4092.6	3.47	1.52	23.69	4.89	1810 18
FTSE 350	2090.3	-0.2	2093.4	2115.8	2092.5	1854.6	3.63	1.94	17.72	2.16	1788.48
FTSE 350 Higher Yield	2007.1	-0.4	2014.6	2038.4	2014.4	1854.1	4.75	1.83	14.39	2.56	1449,24
FTSE 350 Lower Yield	2180.6	+0.1	2179.0	2199.9	2177.4	1860.7	2.51	2.16	23.09	1.72	1533.1B
FTSE SmallCap	2291.89		2292.42	2284.82	2285.56	2013.76	2.96	1.65	25.69	2.75	1917.20
FTSE SmallCap ex IT	2304.01		2303.53							2.66	1941,52
FTSE All-Share	2063.71	-0.1	2066.62	2087.11	2065.27	1829.69	3.56	1.92	16.18	2.16	1792.55
I FTSE Actuaries Ind	ustry !	Secto	ors								
	Jan 27	Day's chge%	Jan 24	Jan 23	Jan 22	Year	Drv. ylek!%	Net	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(21)	4074.10		4074.57								1785.78
12 Extractive Industries(5)	3959.34	+0.1	3956.46	34463.66	304 8 94	4111 91	4 DQ	2 R7	11 46	0.00	1100 00

FTSE 350 Lower Yield FTSE SmallCap	2180.6 2291.89					1860.7	2.51	2.16			1533.18
						2013.76		1.65			1917.20
FTSE SmallCap ox IT FTSE All-Share	2304.01 2063.71					1987.38		1.72			
I FTSE Actuaries Ind			S								
	Jan 27 d	Jay's nge% J	an 24	Jan 23	Jan 22	Year	Drv. ylek!%	Net		Xd ad	Return
10 MINERAL EXTRACTION(21)	4074.10	An	74 57	4140 84	4074 50	3217.32	3.50	1.71	20.81	_	
12 Extractive Industries(5)	3959.34				3906.94		4,09	2.67		0.00	1180.08
15 Oil, Integrated(3)	4213.01				4226.74		3.66	1.55			
16 Oil Exploration & Prod(13)	3482 65					2141.03	1.48	1 73			2111.44
20 GEN INDUSTRIALS(273)	2032.31	_			_	2015.90	_	1.82		1.34	1137.87
21 Building & Construction(35)	1328.26					1050.98		1.61			1134.58
22 Building Matis & Merchs(31)	1876.37					1822.08		1.39		0.44	969.95
23 Chemicalo(28)	2335.34					2426.61	4 42	1.44			1133,92
24 Diversified Industrials(17)	1516.56	-0.4 15	22.56	1528.50	1513.66	1815.50		2.27			879.56
25 Electronic & Elect Equip(39)	2344.92					2268.54	3.33	1.34			1245,47
26 Engineering(71)	2611.60					2240.54	3.13	233		1.25	1816.75
27 Engineering, Vehicles(13)	2930.15				2968.28		3.68	1.71			1547.94
28 Paper, Pckg & Printing(27)	2515.91	+0,1 25	14,41	2540.18	2542.57	2622.73	4.13	1.79		0.00	1073.19
29 Textiles & Apparel(14)	1076.48					1504.10	6.53	1.28		0.00	681.12
30 CONSUMER GOODS(86)	3833,11	+0.2 38	25.OR	3P67.31	3781.81	3869 12	3.7B	1.85		_	1452.83
32 Alcoholic Beverages(7)	2671 38					2861.46	4.83	1.87			
33 Food Producers(25)	2647.94				2662.24		4.13	1.76			1000.23 1227.73
34 Household Goods(17)	2653.49				2636,81		3.78	2.23			
36 Health Care(17)	2100.05				2100.43		2.80	1.94			1071.36 1299.52
37 Pharmaceuticals(18)	5977.65				5791.75		2.84	1.73		0.00	2065.54
38 Tobacco(2)	4047.73				4155.95		6.40	2.13	8.17		1042.36
40 SERVICES(273)	2631.22				2658.93						
41 Distributors(30)	2979.22				2975.76		2.65	2.00			1397.74
42 Leisure & Hotels(31)	3364.64				3324.36		2.85	2.01	21 77		1120.05
43 Media(44)	4247.78				4280.04		2.17	2.05			1840.54
44 Retailers, Food(15)	2033.05				2195.18		3.89	2.13			1557.18
45 Retailers, General(53)	2027.94				2051.81		3.21	2.01			1323.81
47 Breweries, Pubs & Rest (22)	3378.87				3380.39		3.21	2.10	18.37		1185.46
48 Support Services(56)	2887.96				2856.70		1.73	2.44			1065.01
49 Transport(22)	2758.79				2759.33		3 48	1.23	29.38	0.37	1864.61
60 UTILITIES(30)	2669.74				2679,17						1181 90
62 Electricity(10)	291888				2933.90		5.03	1.70	14.62	3.13	1212.32
94 Gas Distribution(1)	1517.42				1537.61		5.94	2.15			1807.41
66 Telecommunicatione(8)	2231.77	-0.1 22	34 93	7258 28	2231.65	1077 54	8 04	0.54		0.00	830.29
68 Water(11)	2463.60				2480.21		3.74 6.04	1.54 2.32		0.00	1053,59
69 NON-FINANCIALS(683)	2122.62			_	2123.74		3.65		8.92	0.00	1425.09
70 FINANCIALS(107)	3743.77		_					1.84	18.67	2.70	1656.68
71 Banks, Retail(8)	5444.18				3749.69		3.55	2.35	14.96		1652.78
73 insurance(19)	1890.85				5450.06 · 1709.39		3.35	2.67	13.97		1622.34
74 Life Assurance(7)	4354.97				4325.77		4.94	2.30	11.01		1310,97
77 Other Financial(29)	3057 32				3037,96		3.57 3.31	1.78	18.63		1851.58
79 Property(44)	1838.82	-1,0 189	57.57	1859.37	1856.58	1447 09	3.46	1.33	18.47		1787.31
80 INVESTMENT TRUSTS(127)	3236.52				3240.12				27.12	205	11 <u>63.51</u>
89 FTSE All-Share(917)	2063.71		_				2.20	1.13	50.40	3.64	1147.72
					2065.27		3.56	1.82			1792,55
FTSE Fledging	1288 13	120	26.68	1291.31	1285.22	1136.81	3.01	0.44	80.00†	1.88	1372.54
FTSE Fledgling ex IT	1309.28	130	13.35	131220	1307,90	1133.98	3.28	0.35	80.00+	1 05	1397 20

	aban	****	19.00	11.00	12.00	13.00	14,00	15.00	16.10	High/day Low/day	
FTSE 100 FTSE 250 FTSE 350	2088.0	2091.2	4214,2 4591,7 2091,0	4213.9 4591.1 2090.8	4223.9 4593.5 2095.0	4218.7 4595.2 2093.5	4221.0 4595.5 2094.0	4216.4 4595.9 2092,3	4211.2 4563.8 2090.0	4223.9 4206.0 4596.8 4589.1 2095.0 2087.5	
Time of FTSE 100 Day's high: 11.59 PM Day's low 8:35 AM. FTSE 100 1998/97 High: 4271.5 (23/01/97) Low 3632.3 (16/07/96) .											
# ET#E 98											

	Орев	9.00	10.00	11.00	12.00	13,00		13.00	16.10	Close	Previous	Chance
Bidg & Cristran	1261.3	1262.3	1264.3	1265 7	1274 D	1286 3	1298.2	1205 4				
		F046 4	5044		1217.0	1200-0	12002	1200.1	1284.8	1284.B	1259.9	+24.9
Pharmaceutic/s												
Water	2348 4	2451.9	2452.4	2454 A	2458 1	2458 6	2458,8	3453	3301.7	3902.9	5848,2	+54.7
					2730.1	5430.0	2400,0	2431.4	2456, T	2456.5	2458.4	+0.1
Banks, Retail	34/J.O	24/0.0	3482.0	348U.U	55.2.3	5518.7	5525 1	5520 c	EEOO O			
For further inform		the Cros	Antonio						2000	3013 /	5515.4	-1.7
LOS IGERTAGE HARRIES	ALL DESCRIPTIONS	DIS LIGE		a 3-mae	wastes b	lebbe cor	ntact FIS	E Interna	tronal an	D171 44	0	
The FTSE Actuar	nes Share	indices (re calcu	icted in a	ccordane	a dilw a	Shandard	841 04			O 181U.	
The FTSE Actuar International in Co	onium clien	with the	Faculty	of Actual	-	to leath		DOL OR U	OUNG IUS	us estab	listed by F	TSE
									PTSE Im	ternation	المستخصا الم	
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N.V. De Indonesiache Overzeese Bank

Bankers Trust Company, Hong Kong

Note, payable on 28th July, 1997.

US\$125,000,000 Floating Rate Notes 1997

The notes will bear interest a 6.26875% per annum for the period 28 January 1997 to 28 April 1997, Interest pavable 28 April 1997 will amount to US\$1,567.19 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Advance Bank Australia Limited

US\$300,000,000

uary 1997 to 28 April

Agent: Morgan Guaranty Trust Company **JPMorgan**

Agent Bank

Floating Rate Notes 2000

The notes will bear interest at 5.7125% per annum for the interest period from 1997. Interest payable value 28 April 1997 will amount to USSH2 El per USSIO,000 note



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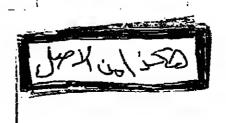
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SPREAD BETTING ON OVER EIGHTY MARKETS



ANCIAL TIMES TUESDAY JANUARY 28 1997 & Lows shown on a 52 week basis WORLD STOCK MARKETS -/- High Law Yill Pig/- High Low Yill Pig.
77/500
WORLD STOCK MARKETS WORLD STO
Rockwell - a world leader in industrial automation, semiconductor systems, avionics & communication, and automotive components. **Rockwell**
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187 (b) 779980 789070 7809800 27198 (c) 779980 780980 27198 (c) 779980 780980 27198 (c) 779980 780
2904.3 2904.9 132.3 1002.3 1000.6 112.5 271.0 2
Open Sett Price Change (200 x Isother) Open Sett Price Change (200 x Isother) Open Set Price Change (200 x Isother) Open Isother (200 x Isother)

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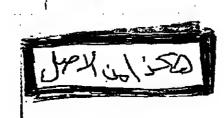
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Dow weak ahead of wages data

AMERICAS

US shares were flat to modestly lower at midsession as investors awaited data on fourth quarter wages and gross domestic product due today and Friday, writes Lisa Bransten in New York. At 1 pm, the Dow Jones

Industrial Averege was off 10.77 at 6.685.71 while the Standard & Poor's 500 fell by Activity was subdued in

comparison to last week's extremely busy sessions. By 1 pm, 243m sbares had langed hands

Technology shares were also modestly weaker with the Nasdaq composite losing 3.19 at 1,360.64 and the Pacific Stock Exchange technology index off 0.2 per cent.

Until recently, most Wall Street economists held that the Federal Reservs was unlikely to raise interest retes at next month's meeting of its Open Market Committee. But some new data showing signs of strength in the economy has led to increased worrles about a

Some economists believe that a rise of more than I and at the noon calculation per cent in the fourth quarer employment cost index. to be released today, could prompt the Fed to tighten

monetary policy.

Still, the equity market at C\$37.00. On the downside, held fairly stable even as the paper and forest products yield on the benchmark 30- showed a loss of 0.7 per cent.

SANTIAGO moved lower as hopes for interest rate cuts ran out of momentum.

"The market's diary date for a rate cut was the first headed the list of fallers, quarter of this year. But slipping 20 centavos to 12.00 moat observers are now looking ahead to the second quarter," said one lesding profit-taking after recent

At midsession, the IPSA index was off 1.55 or 1.4 per

MEXICO CITY was mixed in early trade with an up blip for money market rates

NATIONAL AND

ment. At midsession, the IPC index bad dipped 12.19 to

Ceramic, the big retailer. pesos on what dealers described as aggressive

SAO PAULO clawed back some of Friday's heavy losses in splte of subdued morning trading.

At midsession the Bovespa index had edged back up to keeping a tight rein on senti- 77,880, a 282 improvement.

	% «	hange to for	% charge stelles †	to US 5 †		
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1906	Start of 1986
Austria	+0.72	+2.84	+10.09	+20.89	+1,24	+6,21
Belglum	+2.53	+8.31	+20.54	+27.29	+8.41	+50.13
Dermark	-0.73	+6.85	+27.37	+36.68	+16.27	+21.97
Finland	+1.66	+11,46	+55.52	+54.57	+31.74	+38.20
France	+0.16	+5.46	+27.48	+33.26	+13.25	+19.80
Germany	+0.06	+5.49	+22.13	+30.33	+8.31	+14.67
Ireland	-1.14	+5.21	+21.90	+25.32	+18.64	+25.50
Italy	+0.90	+20.29	+24.43	+29.42	+23.40	+28.46
Netherlands	+1.02	+5,48	+33.11	+38,54	+15.92	+21.61
Norway	+1.78	+8.56	+37.41	+39.20	+28.67	+34.95
Spain	-2.54	+5.22	+44.60	+49.00	+25.65	+31.81
Sweden	+1.68	+7.48	+48.56	+47.81	+29.67	+36.03
Switzerland	+2.67	+5.48	+26.03	+23.88	-3.25	+1.48
UK	+0.26	+3.07	+12.17	+14.14	+14.14	
EUROPE	+0.65	+5.50	+22,56	+26.03	+13.24	+18.79
Australia	-0.42	+1.14	+8.90	+8.28	+8.18	+13.46
Hong Kong	-3.34	-1.80	+16.69	+28.31	+22.19	+28.17
Japan	-2.69	-8.33	-13.89	-14.34	-29.15	-25.68
Malayela	+1.81	+4.96	+17.99	+26.93	+23.40	+29.45
New Zealand	-0.95	+3.16	+18.32	+8.49	+10.67	+16.09
Singapore	-0.17	+5.88	-1.79	+6.31	+1.87	+8.80
Canada	-2.08	+2.11	+26.35	+30.62	+26,03	+32.21
USA	-0.65	+2.07	+24.35	+25.05	+18.20	+25.05
Mexico	-2.14	+9.73	+17.39	+30.65	+22.69	+28.71
South Africa	-1.81	+0.78	-6.19	+5.87	-20.24	-16,33
WORLD INDEX	-0.73	+1.19	+14,46	+16.11	+5.64	+10.82

leading bourses managed to cling to the upside. PARIS stayed positive. thanks largely to a runaway

Carmakers hounced after

widen its components out-

eign content. Renault rose

CCF, a strong market

rating for the banking sector

and a broker upgrade, swung

into reverse, dipping FFr6 to

FFr251 after SGE Delahaye

moved to neutral from out-

jumped FFr4.90 to FFr311.5

on an upgrade from Merrill

Lynch, which moved from

"hold" to "buy" on reduced

debt and improving operat-

ing margins. The CAC 40

FRANKFURT edged ahead

In contrast, Michelin

perform on the stock.

In individual shares, Measurex tumped \$10% or 42 per cent to \$34% on news that Honeywell had agreed to buy the company for about \$35 per share. Shares in Honeywell slipped \$% to \$69%.

vear Treasury crept above

General Motors, which had risen more than 12 per cent since the end of December, slipped \$214 or 4 per cent to \$60% after the automobile manufacturer announced a widely anticipated dividend increase and share buyback per cent to FFr563. programme. GM's board voted to raise the quarterly dividend to 50 cents from 40 cents and repurchase \$2.5bn

worth of shares. Mobil Oil gained \$11/4 at \$130% after the company reported fourth quarter operating income of \$2.20 per share, 23 cents ahead of the mean forecast from analysts. Meanwhile, Merrill Lynch lost \$1% at \$83 in spite of

reporting fourth quarter earnings of \$2.27 per share, 31 cents above expectations. TORONTO edged higher in on Wall Street. Conglomerates continued to supply most of the upward drive.

the 300 composits index was up 3,23 at 6,036.81. The conglomerates sector rose 1.5 per cent with Canadian Pacific 76 cents ahead

Santiago loses 1.4%

derivatives trading.

down 5.18 at 251.04.

50 index lost 3.47 to 1,313.23. on heavy selling by foreign

but with golds off their best. rose 1.1 to 8,043.9 and golds, supported by better bnillon rand, put on 4.9 to 1,378.3. cents to R42.50, Sappl shed

the morning, lost much of moved up. Goldfields dipped als, Rembrandt added 66

FT/S&P ACTUARIES WORLD INDICES The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Soche & Co., and Standard & Poor's. The Indices are compiled by FTSI

REGIONAL MARKETS -	FRIDAY JANUARY 24 1997											DOLLAR INDEX				
Figures in parenthesea	US	Дау'в	Pound			Local	Local	Gross	US	Pound			Local			Year
show number of fines	Dollar	Change	Storing	Yen	DM	Currency	% cha	Div.	Ootlar	Sterling	Yen	DM/	Currency S	2 week	52 week	200
of stock	index.	94	Index	Index	Index	Index	on day	Ylekt	Index	mdex	Index	Index	fridex	High	LOW	(SDDLOX)
Australia (77)	215.86	-0.2	196.32	162.08	182.39	185.67	-0.4	4.11	215 12	196 63	163.31	164,15	186,41	224.81	188.44	188.91
Austria (24)	185.36	0,2	168.73	139.29	156.76	156 65	-0.9	1.83	165.04	166.52	139 82	157.67	157.55	195.04	174.70	185.11
Belgium (26)	233.47	0.1	212.53	175.44	197 46	193.22	-0.S	3.34	233.27	212 45	176.26	198 76	194.32	233.47	203.64	213.54
Brazi (28)	207.08	-1,4	189.51	155.61	175.14	397.83	-1,4	1.52	2:0.13	181,37	158.78	179.05	403.68	211.61	147.48	155.56
Canade (114)	196.25	-0.S	178.65	147.47	165.98	181.49	-0.1	1.51	197,37	179 76	148,14	166 1S	191.77	201.62	152 €8	152.91
Denmark (32)	352.21	0.0	320.62	264,97	297.88	297.48	-0.7	1.47	352.08	320.65	266,04	300.00	298.43	365.19	291.30	299.93
Finland (26)	258.53	-1.5	235.34	194.27	218.65	263.51	-2.2	1.83	262.72	239.28	198.52	223.87	259.32	282.72	174,47	178.14
France (92)		-0,3	194.02	180,18	180.26	1B3.40	-1.1	2.66	213.84	194.70	151.59	182.21	185.37	215.68	180.72	189.72
Germany (56)	.187.70	-0.2	170.67	141.05	158.75	158.7S	~1.0	1.58	158.12	171.33	142.15	160.30	180 30	191.17	154.47	155.89
Hong Kong (59)	486.82	-1.7	452.35	373.41	420.27	493.84	-1.8	3.14	505.32	460,22	361.63	430.58	502.10	514.49	402.53	428.29
Indonesia (27)	243.15	-0.9	221,34	182.71	205.54	354.18	-0.S	1.48	245.25	223.38	185.32	208 98	357.18	_		_
Ireland (16)	320.67	-0.8	291,91	240.97	271.21	281.50	-1.3	3.26	323.42	294.55	244.38	275 58	285.27	333.27	254.35	257.00
Italy (58)		-0.9	86.85	71.70	80 59	113,02	-1.9	1.85	96.32	87.72	72.79	82.07	115.20	96.32	70.51	76.39
Japon (480)	115.1S	-0.5	104.82	86,53	97.38	86.53	-1.2	0.89	115.69	105.65	87.57	98.75	87.57	164.68	115 15	148,90
Maleysia (107)	628.00	0.0	571.57	471.91	531.13	602.12	0.2	1.03	827.74	571.71	474,34	534.89	601.15	628 00	504.22	517.27
Mexico (27)1		-1,2	1213.54			11400.31	B.D-	0.97	1348.83	1228.44	1019.21		11487.48	1364.02	1046.55	1192.26
Netherland (19)		-0.5	301.90	248.22	280.49	276.45	-1.3	2.67	333.39	303.63	251.92	284.08	279.97	338 15	272 32	274.43
New Zealand (14)		-12	84.19	69.49	78.22	70.83	O.S	3.94	g3.57		70.71	79.73	71.26	95.60	75.94	78 26
Norwity (41)		0.7	284.18		284.04	276 08	0.5	1.82	309 91	287.25	234.18	284.08	277.91	318.25	224,41	228.25
Philippines (22)	208.83	0.2	190.10	156.93	176.62	274.13	0.2	0.63	208 47	183.86	157.52	177 63	273.59	-	-	_
Singspore (43)		-1.3	395.68	326.81	357.82	282.18	-1.4	0.98	440.77	401.43	333.06	375.58	288.05	455.21	371.28	438,59
South Africa (44)		-0.5	293.50	242.28	272.68	325.05	-0.S	2.43	324 02	295.10	244 84	27EL10	327.51	437.75	301.49	434,32
Spein (25)		-1.6	198.21	163.62	184.15	226.23	-2,3	2.77	221.76	201.98	187.58	188.86	231.65	225.18	181.52	185.57
Sweden (60)		-0.1	396.46	319.02	359.06	452.91	-0.7	1.98	424.84	386.92	321.03	362.00	458.14	432,49	295.31	300.58
Switzerland (35)		0.5	218.02	178.97	202.58	208.56	0.9	1.39	238 30	217.03	160.06	203.05	210.44	254 34	21829	224.30
Theiland (45)		0.1	92.66	76.49	86.09	101,80	0.0	3.37	101.70	92.63	79.85	86 66	101.90	193.95	91,23	183.28
United Kingdom (211)		-1.1	251.29	207.44	233.47	261,29	-1.1	3.78	279.10	254,18	210.90		254.18	283.17	224,39	228.84
USA (654)	314.19	-1.0	266 00	235.10	265.72	314,18	-1.0	1.86	317.25	288 93	239.72	270 32	317.25	320.80	251 47	252.87
Americas (823)		-0.8	261,84	216.15	243.27	241.84	-0.9	1.67	290.40	264 48	218.44	247.45	244,10	293 35	220.90	230.94
Europe (726)	238.62	-0.6	217.22	179.31	201.91	214.12	-1.1	2.72	240 07	218.64	151,40	204.56	216.61	242.22	198.39	200.53
Nordic (151)	369.11	-0.2	335.00	277.37	312.17	340.94	-0.9	1.68	389 St	336.81	279.44	315.11	344.05	375.68	265.96	269,82
Pacific Basin (874)	136.82	-0.7	124,36	102.66	115.54	102.60	-1.1	1.39	137.S7	125.29	103.95	117.23	103.73	177.01	138,62	151 62
Euro-Pacific (16001	179.10	-Q.S	163.04	134.50	151.47	144,71	-1.1	2.13	180.26	164.17	135.21	153 60	149.35	191.51	178.40	177.73
North America (766)	307.10	-O.S	279.65	230,77	259.73	306. fO	-0.9	1.69	310.03	282.36	234,27	264.17	308.96	313.28	245.34	245.48
Europe Ex. UK (515)	213.38	-0.3	194,22	180.33	180.45	190.18	-1.1	2.11	214 04	194,94		162.39	192.58	215.56	179.04	180.51
Pacific Ex. Japan (394)	315.09	-0.8	286.83	236,79	266.49	273.53	-O.6	2.71	317.75		240.10	270.75	275 84	320.55	268,97	279.54
World Ex. US (1913)	182.30	-0.7	165.95	138,99	154.18	160.46	-1.1	2.11	183.49	157.12	138.65	156.35	152.11	193.47	177 71	179.86
World Ex. UK (2256)		-0.8	198.66	164.82	185.50	192.17	-1,0	1.80	221.02	201 3Q	157.01	168.33	164,13	224.59	199.38	199.38
World Ex. Japan (1987)	279.87	-0,9_	254.86	210.39	236.79	287.54	1.0	2.21	282.31	257 11	213.32	240 55	270.21	283.89	231.01	231.44
The World Index (2487)	224.18	-0.8	204.07	168.46	189 60	197.53	-1.0	2.00	225.98	205.81	170.76	182.55	199,57	228.97	201.97	201.97
																_

US influences keep tight rein on bourses

EUROPE	FTSE Actuaries Share Indices										
Another weak start for Wall Street kept a tight rein on European trading, but most	Jan 27 Hourly changes	Open	10.30	11,80	12.00	TH 12.00	14.00	PEAN 15.00	SERIES		
leading bourses managed to cling to the upside.	FTSE Eurotrack 100 FTSE Eurotrack 200	2042.78 2073.25	2041.00 2071.02	2039.22 2070.43	2038.43 2071,12	2039.25 2070.45	2040,58 2072,96	2039.38 2072.74	2037.64 2070.13		
PARIS stayed positive.			Jan 24	Jeg Page	23	Jan 22	Jen :	n.	len 20		
thanks largely to a runaway performance from Rhône-	FTSE Eurotrack 100 FTSE Eurotrack 200		2038.11	200	52.99 91.05	2047.54 2083.27	20	7.21 3.11	2035.14 2086.27		

Poulenc, which surged FFr8.30 or 4.7 per cent to FFr184.6 in 1.7m traded after in quiet trading with a steep Rhone-Poulenc-Rorer, Its 68 fall for Lufthansa offset by solid gains at Siemens and per cent owned US associate. Thyssen. At the close, the turned in strong results. The parent company puts out Dax was up 9.92 at an Ibisindicated 2.992.55. Lufthansa tumbled 85 pfg

or 3.7 per cent to DM22.15. Renault announced plans to There was some slight disapsourcing to include more forpointment with last year's traffic volume but the main depressant looked to be wor-FFr1.90 to FFr117.2 and ries about strike action after Peugeot gained FFr19 or 3.5 next month's ballot hy staff. Thyssen gained DM2.00 to lately following a broad re-

DM292.50 on news that earnings remained on recovery target. Siemens showed clear strength ahead of today's results statement, adding DM1.40 to DM78.58. AMSTERDAM saw a num-

ber of strong performances. Among leaders, KLM continued to soar away on the back of last week's upgrade from Merrill Lynch while PolyGram, weak recently given tough trading and slack demand in the music business, rallied strongly.

KLM jumped Fl 2.10 to FI 55.90 for a three-session advance of almost 12 per cent. PolyGram rose F13.60 or 4.5 per cent to F183.90. KBB, the retailer, put out a profits warning and

per cent to Fl 112.70. At the close, the AEX index was up 5.80 at 682.48. ZURICH saw early gains virtually wiped out on late profit-takin triggered by Wall Street's weak opening. The SMI index turned back from 4.156.8 to close just 1.8 higher at 4,127,3.

promptly slid F1 10.30 or 9.5

In the pharmaceuticals sector, Novartis rose SFr18 to SFr1.508 ahead of today's 1996 sales figures, comfortably outperforming Roche. after its strong performancs last week. Roche certificates edged SFr10 higher to SF111.790.

Winterthur was the best performer among insurers, rising SFr6 to SFr638 after s weekend nswspaper report

which quoted its chief financlal officer as forecasting double digit growth in net profit for 1996.

slipped SKr0.5 to SKr169.5.

Cyclical shares were rela tively volatile. ABB slid SFr18 to SFr1,727. STOCKHOLM turned its

attention to management changes at the top of three leading companies in an otherwise weaker market which saw the Affärsvärlden index slip 11.4 to 2,536.7. Volvo dipped initially. before recovering to close

news that its chief executive. Mr Soren Gyll, was to leave his post but remain a board member. Electrolux rose as much as SKr19 before closing SKr12 higher at SKr438 on news that its chief executive, Mr Leff Johansson, was moving to Volvo and would be replaced by the head of Atlas Copco, Mr Michael Treschow. Atlas Copco

MILAN was dragged back by profit-taking in Eni and Fiat, while Ollvetti plunged 8.4 per cent on rumours that the group's systems and services division, a mainstay of the business, had made s net loss in 1996. The Comit index fell 3.96 to 779.90.

Eni fell L135 to L8.818, Flat lost L105 to L5,270 and Ollvetti, a better performer last key court ruling opening the wesk after tha announce-

SKr3 higher at SKr180 on

ment of the sale of its troubled personal computer business, dropped L61 to L656.9. Stet gave up L206 to L7,677 as investors switched into the savings stock after Friday'a announcement that It would sbsorb Telecom Italia. L29,986 after the company failed to inspire the market with news that 1996 turnover rose by 17 per cant. Snia dropped L107 to L1,775 on news that it was to merge

xabrif 001-lanottsM EXMI

with Snia Fibre. ISTANBUL soared another 13.1 per cent to the year's 17th record close as hopes of an accelerated privatisation programme after last week's

sell-off drew renewed interest from foreign investors. The IMKB National-100 index rose 197 to 1,700 in volums that also reached an all-time high of TL69,480bn.

ATHENS climbed 3 per cent, led higher by a solid advance by the banking sector which, analysts said, had further to go. The general index rose 32.82 to 1,125.13. Most sectoral indices ended higher with banks up

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Helly considers buy-backs

week stacks import barriars

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rising 4.4 per cent.

WARSAW closed at 8 fifth consecutive 33 month high as foreign investors, who began buying the market in mid-December, continued to build portfollos. The Wig index rose 282.3 or 1.7 per cant to 16,910.

5 per cent and construction

TEL AVIV rebounded 2 per cent after two days of losses as investors awaited the Bank of Israel interest Bulgari lost L1.466 to rata announcement which came after the markat closed. The Mishtanim index rose 4.68 to 236.59.

In the event, the Bank of Israel said that It was lowering its key lending rate for February by 0.5 of a percent age point to an annualised 14.2 per cant, which, analysts said, was in line with market expectations.

Written and edited by Michael

Retreating banking sector pulls Nikkei down 2%

Heavy selling of bank shares on renewed concerns about the health of Japan's financial sector left Tokyo tumbling 2 per cent, writes Gwen

The Nikkei 225 average fell 354.46 to 17,334.90 after moving between 17,280.20 and 17,664.60. A steep decline in Nikkei index futures in Singapore in the middle of the day sent stocks plunging on futures-related selling in

early afternoon trading. The fall in index futures was triggered by a market rumour that Mitsubishi Trust and Banking had incurred massive losses in

Although the rumour was denied by the bank, financial shares retreated sharply in the afternoon, with Mitsublnlunging 13 per cent to register the day's largest fall.

Volume shrank from Friday's 398m shares to an estimated 348m. Declines overwhelmed advances 918 to 186 with 151 unchanged. The Topix Index of all firstsection stocks fell 26.88 to

in London, the ISE/Nikkel The hanking sector retreated nearly 5 per cent securities houses. Among

fell Y150 to Y1,100. Yasuda the product due to growing Trust and Banking, which concerns about the health Trust and Banking, which was among four banks downgraded by Moody's, the credit rating agency, skidded news that President Kim Y33 to Y360. Among the com-

Tokyo-Mitsubishi fell Y130 to Y1,710. Fuji Bank shed Y120 to Y1,180 and Industrial Bank of Japan Y90 to Y1.520. The three banks hit their lowest levels since the begin-Foreign investors aold

steels on weak medium-term prospects for the industry. Nippon Steel fell Y7 to Y286 and Sumitomo Metal Industries Y12 to Y244. In Osaka, the OSE sverage fell 268,78 to 18,439.05 and volume surged to 85m shares.

mercial banks, Bank of

By contrast, soms hluachip issues fared well. TDK added Y50 to Y7,370 and Sony climbed Y70 to Y7.830 shi Trust and Banking after reaching s one-year high of Y7.900 following reports last week that the company would enter the digital satellite broadcasting business with Mr Rupert Murdoch's News Corp.

However, car makers and pharmaceuticals declined. Toyota fell Y50 to Y3,190 and 1,326.60 and the cspltal- Honda Y20 to Y3,180. cals fell Y30 to Y2.190 and Dainippon Pharmaceuticals Y30 to Y800.

Janome Sewing Machine. popular speculative stock and a maker of both units that keep water hested 24 the biggest losers were trust hours a day, fell Y80 to Y220 banks, led by Mitsuhlshi on reports that some manu-Trust and Banking which facturers would halt sales of

Johannesburg edges higher

session marginally bigher ket," said one broker.

The all-share index closed up 4.7 at 6,689.3. Industrials their sbine as the rand but watchful of the firmer

Shares in Jobannesburg nominal. "All the fun was in traded quietly, ending the the rand and the bond mar-

Golds, a strong market in Turnover was described as 55 cents to R40.70.

and hygiene of such units. SEOUL fell 3 per cent on

Young-sam's ruling party had agreed to opposition demands for a parliamentary investigation into the financial affairs of the Hanbo Group, the country's 14th largest industrial conglomerate. The composite index lost 20.41 to 684.70 amid concerns that political involvement could only complicate the

Hanbo Steel, flagship of the conglomerate, defaulted on debt repayments on Thursday. Its shares, suspended on Friday and Saturday, fell Won390 to Won4,570 HK\$8.6bn. when trading resumed.

cent higher on a wave of optimism that the government was about to introduce measures to revive the capltal market.

The BSE-30 index jumped 127.12 to 3,562.74 as hesitation by local investors and funds to sell stocks in a rising markst, coupled with Incressed spaculative demand, was stoking the HONG KONG registered

its fifth consecutive fall on concerns about the outlook for interest rates and weak US markets. The Hang Seng index lost 84.65 to 13,294.90 after s low of 13,210,59 in turnover that dipped to

Giordano, suspended since

HK\$3.80 when trade resumed as investors unloaded their stakes on uncertainty over the clothing retailer's operations in China.

way for the Turk Telekom

BANGKOK dipped in thin and narrow trading with the SET index off 8.14 at 840.42 on modest Bt2bn turnover. Brokers said that the mar-

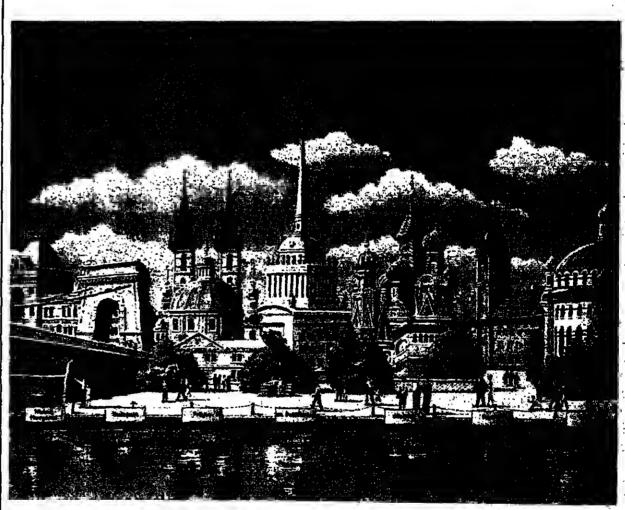
ket was sluggish ahead of Thursday's leading economic indicators. Advanced Info Services topped the active stocks list, rising Bt10 to came off Bt 1 to Bt51, Ayudhya Jardine CMG Life fell Bt 10.50 to Bt95.50.

TAIPEI moved lower in thin volume, hit by a press report of a possible tightening of money policy. The

BOMBAY surged 3.7 per January 17, fell HK\$1.25 to weighted index shed 55.32 fo 7,156.96. At T\$48.9bn, turnover was nominal. Paper shares fell most, followed by car and textile stocks.

MANILA ended in negative territory as second-tier stocks continued to hog the spotlight. The main index fell 9.43 to 3,323.10, but eight second-line shares rose by more than 40 per cent after another speculative sessim. Most blua chips fell with the exception of Petron Corp

which rallied 25 centavos to Bt268. Krung Thal Bank 10.75 pesos ahead of full industry deregulation. JAKARTA moved ahead following reports of brokers downgrading their weightings in rival Aslan stock markets. The composite index gained 6.07 to 684.98.



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